

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Argentina	20	Belgium	100	France	100	Germany	100	Italy	100	Japan	100	Netherlands	100	Portugal	100	Spain	100	Sweden	100	Switzerland	100	UK	100	USA	100
Canada	100	Denmark	100	Greece	100	Ireland	100	Luxembourg	100	Norway	100	Poland	100	South Africa	100	Taiwan	100	West Germany	100	Yugoslavia	100				

## World news Business summary

### French rail strike crumbling

The French rail strike seemed close to an end last night as drivers at some of the more militant depots voted to return to work. Electricity was already back after wage concessions by the national electricity authority.

Right wing parties rallied thousands of Parisians in protest against the stoppages and one demonstration included slogans shouted against President Francois Mitterrand. The Paris metro remained disrupted but fresh talks are due today. Page 2

### Japanese protest at EEC plan on duties

JAPAN'S powerful Keidanren confederation of business organisations has sent a letter of protest against proposals to extend European anti-dumping duties to heads of state and top officials of all EEC countries. Page 5

OWENS-ILLINOIS, largest US glass container maker, rejected a proposal from Wall Street investment firm Kohlberg Kravis and Roberts to take the company private in a \$3.5bn leveraged buy-out. Page 25

### Israeli raid Sidon

Three Palestinian guerrillas were killed and 13 people wounded when Israeli warplanes raided targets near Lebanon's southern port of Sidon, police said.

### New US spokesman

The White House named veteran government information officer Martin Fitzwater to replace Larry Speakes as President Reagan's chief spokesman from February 1. Mr Speakes is leaving to join Merrill Lynch. Page 4

### Riots in Karachi

At least 24 people were injured and about 100 shops and houses set on fire during riots in Karachi which followed the rape and murder of two young women.

### Jaruzelski visit

Polish leader General Wojciech Jaruzelski arrived in Italy for his first official visit to the West since the 1981 imposition of martial law plunged his country into international isolation. He was met in Rome by Italian Prime Minister Bettino Craxi.

### Afghan rebels meet

Leaders of the main Afghan rebel alliance met in Peshawar, Pakistan, to consider their response to the Soviet-backed Government's peace initiative. A Kabul-declared ceasefire is due to begin later this week. Page 4

### Maputo reshuffle

Mozambican Security Minister Sergio Vieira has been sacked along with the governors of Tete and Zambezia provinces in a government reshuffle. Six African National Congress officials left the country last week following South African pressure. Page 4

### Aquino press ban

President Corason Aquino, who restored press freedom to the Philippines, ordered the closure of a newspaper loyal to former President Ferdinand Marcos and told national television it must not broadcast an interview with sacked Defence Minister Juan Ponce Enrile.

### Prince quits marines

Britain's Prince Edward has decided to resign his commission in the Royal Marines "after much consideration," Buckingham Palace announced.

### Iceland fishing crisis

Iceland's Premier Steingunnur Hermannsson said he was recalling parliament because of a strike by around 5,000 fishermen. They have been on strike since January 1 demanding a higher share of the catch.

### Iranians 'trapped'

Iraq claimed it has trapped Iranian troops in a "killing zone" on the southern Gulf War front and said its aircraft had struck at five Iranian cities. Page 4

### Never on Sunday

Liberian President Samuel Doe banned the sale of all goods on Sundays, calling it a sin. He said anyone who flouted the ban would be arrested.

## TRANSPORT CHAOS FOLLOWS LOWEST TEMPERATURES FOR 25 YEARS

# Deaths as Arctic weather engulfs Europe

BY OUR FOREIGN STAFF

BITTER weather brought the coldest temperatures for 25 years to northern Europe yesterday, causing the deaths of dozens of people and seriously disrupting transport in many cities.

In the Soviet Union, at least 48 deaths were caused by fire as people used faulty electric heaters. In addition, avalanches killed 20 people in Georgia and 13 people in eastern Turkey.

Two people died in Budapest when two trains collided in a blizzard and a Polish forestry inspector, a Greek border guard and a Munich tramp froze to death. Three Greek and three Italian fishermen died at sea, and in the Netherlands, a six-year-old boy died when he fell through thin ice. In France the cold killed two tramps near Marseille, a jogger and a Brittany fisherman.

In the Soviet Union, hardest hit by the Arctic conditions, the mercury plunged to a record -39°C in the village of Dmitriev, 300 miles south of Moscow, for the third day running.

Britain was also in the grip of freezing temperatures and biting winds with some areas, including London, experiencing the coldest January day since records began in 1840. The midday temperature in London was -7°C and the chimneys of Big Ben were still when the hammermen froze.

Other parts of Britain including the Pennines in the north had overnight temperatures of -10°C and weathermen forecast that it would stay below freezing until the weekend because of the effect of jet winds from Scandinavia and Siberia.

The promise of a continued bitterly cold spell helped push up prices for crude oil and refined products on both sides of the Atlantic. The spot price of Brent crude for February delivery rose 40 cents to \$18.75 a barrel while in the US West Texas Intermediate blend reached \$19 a barrel. Page 22

Travel conditions were particularly bad in south-east Britain. Some areas near the Thames estuary were cut off. Many train services did not run and others operated a curtailed and erratic service. A British Rail spokesman said: "It is a nightmare. We just can't cope in some areas." At Westcliff, Essex, the sea froze along a 700-yard stretch.

Road conditions were treacherous throughout the day, with snow ploughs and gritting machines at times unable to keep pace with the heavy snowfall. Police in the West Midlands rescued 300 lorry drivers stranded in their cabs when their diesel fuel froze.

In Sweden, people were urged not to use their saunas, washing machines and extra heating as electricity consumption reached record peaks.

Heavy snowfalls across the country played havoc with the normally punctual trains and postal services and Swedish state railways warned people to dress warmly in case they had to wait for trains. In some areas schools closed and farmers struggled to keep their cow sheds supplied with water.

A national newspaper published a hotline telephone number for anxious pet owners to seek advice on how to look after their animals in the cold.

In the Soviet Union, government and industry attempted to keep the country's transport system working in the face of some of the worst conditions since the war.

One of the Government's priorities is to ensure that coal and fuel oil reaches power stations. The Communist Party newspaper Pravda said that on the railways about 25,000 freight cars were stalled out of a total of 1.5m.

The most serious impact of the cold weather in the last bad winter of 1964-65 was to cut oil output leading to a serious loss of oil export.

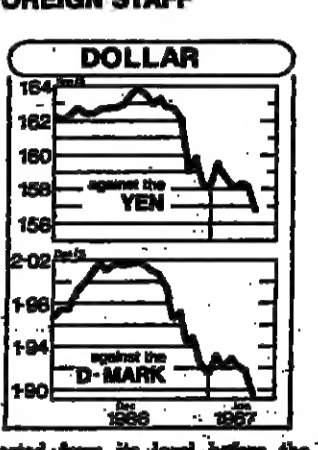
Continued on Page 22

# Dollar slide puts fresh strain on realigned EMS

BY OUR FINANCIAL AND FOREIGN STAFF

THE DOLLAR'S pronounced weakness yesterday threatened renewed strains within the European Monetary System (EMS) only hours after details were finalised of the week-end realignment.

It fell sharply against the Japanese yen and the D-Mark despite intervention by the Bank of Japan and the Bundesbank. In London, it closed at DM 1.8905 - its lowest level since November 1980 - and well below Friday's close at DM 1.9175. It closed at ¥156.70 compared with its pre-weekend close of ¥158.10.



European Community finance ministers agreed to revise the D-Mark and the Dutch guilder by 3 per cent and the Belgian and Luxembourg francs by 2 per cent while the French franc's central rate within the system was unchanged. Requests by the Danish and Irish governments to revise their currencies were denied.

The Japanese central bank's intervention in Tokyo apparently tried to stop the dollar from slipping below ¥158. Mr Kiichi Miyazawa, Japan's Finance Minister, said at a press conference in Hiroshima that he was confident that the yen would not rise further.

However, after a short-lived bout of dollar purchases in an initial reaction to the realignment in early European trading, the dollar resumed its fall.

In Paris, the D-Mark fell as expected from its level before the week-end to FF 3.3212, less than 1 cent below Friday's fix of FF 3.3303, its old EMS floor.

# Superpowers upgrade arms talks delegates

BY STEWART FLEMING IN WASHINGTON AND ROBERT MAUTHNER IN LONDON

THE SOVIET UNION and the US have both upgraded their chief representatives in the nuclear arms control talks in Geneva, in moves which are seen as evidence of a mutual desire to give a fresh impetus to the negotiations.

The reported replacement of Mr Viktor Karpov, the chief Soviet negotiator in Geneva, by Mr Yuri Vorontsov, a first Deputy Foreign Minister, was quickly followed yesterday by the announcement in Washington that Mr Max Kampelman, the chief US arms control representative in Geneva, had been given a new title.

Mr Kampelman was appointed to the senior post of counselor to the State Department as he was about to leave for Geneva, where the next round of the nuclear and space talks is due to open on Thursday.

Officials insisted that the change in Mr Kampelman's title - he remains head of the US arms control delegation in Geneva - had been under discussion before Moscow notified Washington last week that it was appointing a more senior official to head its own delegation.

Washington also appointed a higher-ranking delegation leader.

Instead of replacing Mr Kampelman, the US Administration has promoted him, though it is arguable whether his new title matches that of his Soviet opposite number.

# Central banks and EEC asked to strengthen EMS mechanisms

BY OUR FOREIGN STAFF

EUROPEAN CENTRAL bank governors and the EEC monetary committee have been asked to examine ways of strengthening the operating mechanisms of the European Monetary System, in the wake of the weekend currency realignment.

This emerged as speculation grew that the realignment of currencies in the EMS would prompt an early reduction in European interest rates. French and financial markets reacted in anticipation of a greater use of inter-marginal intervention by central banks - before EMS currencies reach their permitted ceilings and floors - is likely to be a key element on the EMS study.

Mr Mark Eyskens, the Belgian Finance Minister who chaired the weekend realignment meeting, and Mr Jacques Delors, the president of the European Commission, split out such action as one of three areas for further debate.

The others would be greater co-ordination of interest rate policies,

and the possibility - at least in the longer term - of direct intervention by the European Monetary Co-operation Fund.

The fund currently holds a proportion of the reserves of member states of the EMS, but plays no active role in intervention.

Mr Eyskens said the Finance Ministers had considered at length the need to strengthen the system, "otherwise we will witness the events of the past few weeks happening again and again. We have to show that the community can take measures that will in the long run contribute to better economic solidarity."

Mr Delors said the recent strains on the EMS represented the first time the system had faced such an external challenge - the tension caused by the fall in value of the dollar - and he had been unsure that the existing system of "dialogue and consultation" would be adequate to cope with it.

It was not clear, however, that

there was any clear commitment to greater co-ordination than hitherto, or that the forthcoming study on strengthening the system would commit any of the member states to early action.

As details of the latest realignment emerged, Mr Edouard Balladur, the French Finance Minister, said he hoped French interest rates would come down soon and added that an understanding had been reached during the realignment negotiations that West Germany would lower its money market rates.

But Mr Gerhard Stoltenberg, the West Germany Finance Minister, was more cautious, saying he hoped a "limited fall" in West Germany money market rates would follow the EMS realignment.

The Bundesbank is likely to rely on monetary "fine tuning" after the realignment to prevent the rise in market interest rates which would otherwise result from the expected abrupt reversal of last week's heavy inflows into West Germany.

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## EUROPEAN NEWS

## French rail strike crumbles as militants vote to return to work

BY DAVID HOUSEGO IN PARIS

THE FRENCH railways strike seemed close to an end last night as drivers at some of the more militant depots voted to return to work. The winding down of the railwayman's action, which began the current wave of disruption in France, is likely to take momentum from the other strike movements in the public sector. Electricians were back at work yesterday after concessions on wages made by

EdF, the national electricity authority over the weekend. Paris Metro services remained disrupted as a result of the continuing dispute over wages. But fresh negotiations are planned for today.

The increasing return to work came as right-wing political parties backed demonstrations in Paris to protest at the disruption caused by the strike. But the cold and the apparent

ending of the disputes meant that demonstrations were smaller than expected.

Some 2,000-3,000 people gathered at the Palais Royal at the instigation of Mr Jacques Chirac's neo-Gaullist RPR party shouting slogans that included an attack on President François Mitterrand, and singing the Marseillaise. Nearby, at the Place de l'Opéra, the extreme right-wing National

Front gathered a smaller crowd of about 1,000.

Mr Laurent Fabius, the former Prime Minister and a Socialist, said it was irresponsible for the protest organisers to "increase the agitation and transplant it to the political terrain." Mr Chirac, speaking to reporters, said consumers had as much right to express their views as the strikers.

Government officials have been

gun to assess the cost of the strikes in terms of lost output and additional cost to the state. Concessions over wage claims since the strike began are believed to have cost FF2.2bn-FF3.5bn. While the macro-economic effects are not likely to be great, indirect effects in terms of inflationary pressures and increased labour unrest are likely to be much larger.

Apart from the dispute in the

Paris urban transit system, the only union still actively encouraging the strikes was the Communist OGT union. The OGT has also called for a strike of public administration employees.

Among railway depots voting a return to work yesterday was the Gare du Nord which was one of the leaders in the rail strike.

The railway company, SNCF,

said service on its mainline trains was 70 per cent of normal on Sunday and predicted further improvement saying nearly 75 per cent of drivers had returned to work.

An SNCF spokesman forecast that the train service would be back to normal by today. Some pockets of militancy remained, mainly in the south,

## Sweden expects growth rate of 2.2%

By Kevin Dene, Nordic Correspondent in Stockholm

THE SWEDISH economy is expected to grow by as much as 2.2 per cent this year fuelled by continuing strong private consumption, stockbuilding, and higher industrial investment, according to the 1987-88 budget presented yesterday.

Swedish financial markets have been unexcited by the absence of measures to dampen rising private spending and long-term interest rates rose again yesterday, while share prices fell heavily. Private consumption is expected to rise by 3 per cent following a jump of 3.6 per cent in 1986.

The surplus on the current account of the balance of payments is expected to shrink to SKr 3.6bn (€361m) from an estimated surplus of SKr 8.5bn in 1986, but the fall could be much more severe if the recent rise in oil prices is sustained. (The forecast is based on a price of \$15 per barrel compared with a current spot price of \$18 per barrel.)

The Swedish Government is continuing to place the highest priority on holding down unemployment, and is expected to improve to only 2.6 per cent this year from 2.7 per cent in 1986.

Inflation is expected to begin rising again after the sharp fall last year with an increase during 1987 of 4 per cent (October 1986-87 compared with 3.2 per cent in 1986).

In a restrictive budget for 1987-88 the Government has kept a tight control of expenditure, which is forecast to rise by some 2.5 per cent compared with 1.1 per cent rise in income.

The budget deficit will be cut to SKr 36.9bn from an estimated SKr 40.5bn deficit in 1986-87. The deficit has been more than halved since 1983-84 when it stood at SKr 58.9bn.

As a share of gross national product it has been cut from 13.0 per cent in 1983-84 to a forecast 3.5 per cent in 1987-88.

Helped by the one-off tax imposed on the assets of the total finances of the public sector in Sweden are forecast to show a small surplus in 1987 compared with a deficit equivalent to more than 6 per cent of GNP in 1986.

In what Mr Kjell-Olof Feldt, the Swedish Finance Minister, described as an "austere reform budget," the minority Social Democratic Government is planning to allocate increased spending to priority areas of social welfare, regional development and research and development.

The reforms will be financed partly through cuts elsewhere in education, social spending, agricultural support and subsidies to housing and the local authorities. Most controversially, the Government is seeking to cut milk subsidies, and introduce a hospital charge for childbirth as well as higher prescription charges for medicines.

At the same time it is planning to increase old-age pensions and introduce improved sickness benefits which will give blue collar workers the same conditions as white collar workers with full benefits payable from the first day of illness.

The higher pensions have been financed through the controversial one-off tax on the insurance sector, while the improved sickness benefits will be financed chiefly through increased payroll taxes.

The Swedish economy is still burdened by price and wage cost increases that are substantially higher than levels in its main trading partners, which has led to a loss of market share both at home and abroad.

Leaders for both the trades unions and the employers are to be called in for a series of talks aimed at reforming the country's collective wage bargaining system, following the turbulent industrial conflicts in the public sector.

FT writers describe how the realignment of EMS currencies was achieved and assess its likely impact

## Supporting cast complicate scene

BY QUENTIN PEEL IN BRUSSELS

CONSIDERING the modest size of the currency changes in the European Monetary System decided in Brussels this week-end, the negotiations of EEC finance ministers, central bank governors and Treasury officials proved remarkably long and agonising.

First the Monetary Committee of the European Communities, a notoriously secretive body of senior central bankers and top treasury men, met for nine hours until almost midnight on Saturday without a clear conclusion.

Then the ministers and government came together on Sunday and kept hammering away until after one o'clock in the morning—when the Japanese foreign exchanges were already open for dealing—before they reached agreement.

In the end it was not the heart of the realignment—a 3 per cent revaluation of the D-Mark against no change for the French franc—which was at issue. It was all the ramifications for the other member states—and their implications for French domestic opinion—which held things up.

Bonn and Paris sent their men to Brussels on Saturday with a deal already done on 3 per cent for the D-Mark and the Dutch guilder.

What put the cat among the pigeons on Saturday was when Belgium, Luxembourg and Denmark insisted on joining in and following the D-Mark and the guilder upwards—if not by 3 per cent, then by 1.5. That would have left the French franc and Italy's lira, not to mention the Irish punt, looking very much like the

sick men of Europe.

Mr Edouard Balladur, the French Finance Minister, could not accept such isolation. One solution to salvage French pride might have been to persuade a smaller currency to devalue—like the embattled Irish punt, suffering from the freer floating effects of the British pound. But Ireland was determined to keep its parity after last August's devaluation, and with an election imminent in Dublin.

Late on Sunday night, it was almost as if the French franc was the leper. Nobody wanted to stay with it, or certainly not alone. Italy was almost as furious at all the smaller currencies trying to prove their strength.

The point was that Mr Mark Eyskens, the Belgian Finance Minister, in the chair, wanted to underline his currency's independence from the French franc, and the improvement in the Belgian economic performance. Mr Jacques Poos of Luxembourg was worried at losing touch with the D-Mark when his country wants to prove its value as an international capital market.

In the end it was a gamble when Mr Eyskens which paid off. He did not really want a revaluation for Belgium of more than 1.5 per cent. But if he went to 3 per cent he reckoned he could call the Danish (and Irish) bluff. Around midnight, just when things looked as if they were getting really entrenched, and tempers might start to fray, that is exactly what he did. And it worked.

EMS: BILATERAL CENTRAL RATES AND INTERVENTION POINTS									
	Netherlands	Belgium	W. Germany	Denmark	Ireland	France	Italy		
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BF 100	+ 2.25% central rate - 2.25%	100	4.959 4.94837 4.740	18.9143 18.4938 18.0831	1.8510 1.80981 1.7895	14.4310 14.2408 15.8990	371.82 349.421 329.00		
DM 100	+ 2.25% central rate - 2.25%	115.235 112.673 110.1675	2109.50 2042.55 2016.55	100	390.14 381.443 373.00	34.125 33.586 34.494	7454.0 7269.9 7665.8		
DKr 100	+ 2.25% central rate - 2.25%	30.21 29.589 28.825	553.9 540.723 528.70	24.810 24.2142 25.430	100	18.0887 18.049 18.577	2062.8 1989.0 2022.0		
Ir£ 100	+ 2.25% central rate - 2.25%	3.870 3.81948 3.7510	54.5715 53.2545 54.0250	2.740 2.67894 2.619	10.4511 10.2186 9.9713	1.1890 1.18486 1.2750	2020.0 1930.71 1818.34		
FFr 100	+ 2.25% central rate - 2.25%	34.36 32.953 32.8475	628.97 614.977 601.295	30.495 29.8164 29.150	116.32 112.722 111.20	11.3830 11.1299 10.8625	2287.0 2148.4 2023.0		
L 1000	+ 6 % central rate - 6 %	1.660 1.640 1.625	30.387 28.6187 26.953	1.4735 1.3794 1.3065	5.620 5.51793 5.485	0.59952 0.57793 0.56779	4.9410 4.45362 4.3830	1000	
Esc 1	central rate	2.31943	42.4582	2.65853	7.85212	0.760411	4.90403	1483.58	

## Bonn yields to the speculators' pressure

BY DAVID MARSH IN BONN

THE West German Finance Minister, Mr Gerhard Stoltenberg, was at pains yesterday to put the best possible face on the revaluation of the D-Mark worked out in the Brussels realignment.

However, beneath the bland assurances it is clear that, by quickly giving up its resistance to last week's EMS realignment, the Bonn Government has bowed with little demur to a sudden build-up of speculative pressure on the foreign exchange markets.

Mr Stoltenberg repeated yesterday his view of last week that, on the basis of "economic fundamentals," there was no reason for any EMS realignment. With some "nuances," he said, this was also the view of the other ministers at Sunday's meeting. But, as a senior adviser to Mr Helmut Kohl, the West German Chancellor, put it on Sunday night: "What the (currency) markets want, must be."

EEC finance ministers yesterday were bathing in self-congratulation at their ability to find, after two days of meetings in Brussels, "flexible solutions" to last week's EMS realignment. But the realisation that, provided the weight of speculative currency flows is sufficient, the markets can force a change of EMS parities with astonishing speed does not serve as a very convincing test of the strength of Europe's eight-year-old exchange rate system.

It also indicates that the markets might before too long try to test the durability of Mr Stoltenberg's assertion yesterday that EMS parities would be able to remain unchanged "for a long time."

The 3 per cent D-Mark upwards move was its sixth formal revaluation in the EMS and the currency's ninth since the fixed exchange rate Bretton Woods system finally broke down in March 1973.

Mr Stoltenberg's own credibility may have suffered a knock by the rapidity with which Bonn submitted to the will of the markets. But, overall, West Germany has acted in accordance with the consistent "stability-first" policy promulgated by the Bundesbank, the central bank which seems if anything to have increased its influence over the Bonn Government in recent years.

The Bundesbank's doctrine, it can be argued, has served West Germany well in terms of fostering both price stability and economic growth.

In essence, the doctrine lays down that, whenever West Germany faces external pressure for a revaluation—as it has frequently done over the past three decades—it should respond by accepting an upward move of the D-Mark rather than by cutting interest rates or otherwise slackening its anti-inflation policy.

Faced with the threat of an excess of monetary liquidity caused by last week's massive inflows of cash into West Germany, the central bank knew it had only one choice. This was to press for a speedy revaluation, which would not only reverse last week's huge inflows caused by automatic intervention to support the French franc, but would also, by dampening import prices, ward off any imported inflation.

The outcome was effectively clinched on Wednesday when the Bundesbank and other EMS central banks were forced to sell more than DM 5bn—raising fears of monetary inflows last seen in the final days of Bretton Woods.

Mr Stoltenberg appears to have been convinced at a secret meeting with Bundesbank directors in Frankfurt on Friday that a revaluation was the only way. In a telephone conversation afterwards, with Mr Edouard Balladur, the French Finance Minister, the two quickly agreed on the main outlines of the package—leaving only the long-winded but basically secondary questions of the other EMS currencies' parities to be hammered out in Brussels.

In macro-economic terms, the revaluation of the D-Mark, the Dutch guilder and the Belgian franc will add to France's import bill, as 38 per cent of French imports come from West Germany, the Netherlands and Belgium. It will also increase inflationary pressures marginally. These adverse effects will come on top of the cost of the strikes.

The fight to prevent prices taking off again, however, remains a high priority and lies behind Mr Chirac's efforts to hold down public sector pay.

On other economic measures, according to Finance Ministry officials, there is no objective justification for calling the frame weak at the moment. Wage supply is under better control than that of most other industrial countries, including West Germany. The balance of payments, too, has returned to substantial surplus after six years of deficit. In the first 11 months of the year, the surplus topped FF2.5bn. It is in trade with West Germany that the worrying signs appear. The balance has deteriorated again this year as increased consumer demand in France led to a surge of imports. The bilateral deficit reached FF2.75bn in the first 11 months of 1986, compared with FF2.57bn in the whole of 1985.

Although wages and unit production costs are now rising more slowly in France than in West Germany, the gap between French consumer prices and Germany's deflation has been widening in recent months.

On its own, noted Mr Wolfgang Baumann, head of the economics and currency department of the West German Industry Association (BDI), the revaluation would not be such a hard blow to West German industry. But it came after a period when the dollar had fallen steeply and after several other EMS realignments in the last few years.

The mechanical engineering industry, one of West Germany's biggest exporting sectors has already felt the draught from the weaker dollar and poorer demand from Opec and developing nations.

Last year, total new foreign orders for West German machinery fell by 13 per cent in real terms, the VDMA said. The latest D-Mark revaluation in the EMS would affect about 20 per cent, or nearly DM 20bn (€7bn), of West German exports in this sector.

From its neighbour.

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## Exporters put brave face on loss of competitiveness

BY ANDREW FISHER IN FRANKFURT

WEST GERMAN exporting companies, already hit by the sharp fall in the dollar, say they have to bear an added burden as a result of the latest revaluation of the D-Mark against other European currencies.

Though companies and industry associations sought to put a brave face on the situation, West Germany's export strength has undoubtedly been diminished as a result of the soaring D-Mark.

France, whose currency was unchanged in the EMS, is West Germany's biggest trade partner. Altogether, nearly 40 per cent of West Germany's foreign trade is with other EMS countries. France accounts for around 11 per cent and the Netherlands for about 10 per cent.

Among the industrial sectors which will suffer most from the 3 per cent revaluation in the EMS are cars and machinery. Both export heavily to France and also face strong competition

from their neighbour.

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The mechanical engineering industry, one of West Germany's biggest exporting sectors has already felt the draught from the weaker dollar and poorer demand from Opec and developing nations.

Last year, total new foreign orders for West German machinery fell by 13 per cent in real terms, the VDMA said. The latest D-Mark revaluation in the EMS would affect about 20 per cent, or nearly DM 20bn (€7bn), of West German exports in this sector.

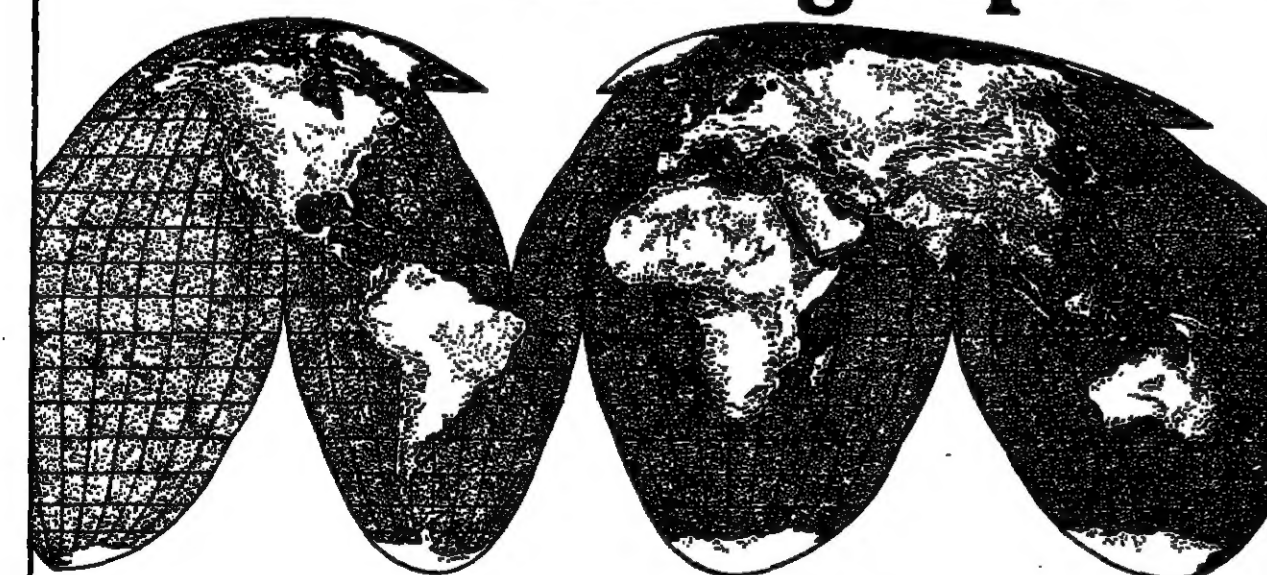
From its neighbour.

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On other economic measures, according to Finance Ministry officials, there is no objective justification for calling the frame weak at the moment. Wage supply is under better control than that of most other industrial countries, including West Germany. The balance of payments, too, has returned to substantial surplus after six years of deficit. In the first 11 months of the year, the surplus topped FF2.5bn. It is in trade with West Germany that the worrying signs appear. The balance has deteriorated again this year as increased consumer demand in France led to a surge of imports. The bilateral deficit reached FF2.75bn in the first 11 months of 1986, compared with FF2.57bn in the whole of 1985.

Although wages and unit production costs are now rising more slowly in France than in West Germany, the gap between French consumer prices and Germany's deflation has been widening in recent months.

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## Gibraltar to overshadow UK-Spain talks

BY DAVID WHITE IN MADRID AND ROBERT MAUTHNER IN LONDON

SPANISH impatience over the lack of progress on the issue of sovereignty over Gibraltar is expected to overshadow two days of talks between Sir Geoffrey Howe, the Foreign Secretary and Mr Francisco Fernandez Ordóñez, his Spanish opposite number starting in London today.

The talks, part of the regular annual discussions between Spain and Britain initiated in November 1984 by a bilateral agreement in Brussels which led to the reopening by Spain of its border with Gibraltar, are unlikely to lead to a breakthrough on the contentious problem of the Rock's future status.

Britain agreed in the Brussels communiqué to discuss sovereignty over the colony with Spain, but in practice the people of Gibraltar will always have a veto over any solution to their future which may be proposed.

Her Majesty's Government will never enter into arrangements under which the people of Gibraltar would pass under

the sovereignty of another state against their freely and democratically expressed wishes," the preamble to the 1980 Gibraltar Constitution states. The commitment was specifically referred to in the Brussels communiqué.

That has not prevented Spain from trying to get things moving on sovereignty, with little result. The UK has not responded to proposals put forward by Spain in 1985 for either a leaseback system on the Hong Kong model or a condominium between Spain and the UK over the Rock according to Spanish officials.

Mr Felipe González, the Spanish Prime Minister, has said he wants agreements on the "mechanism" for a solution by 1990. Britain, however, sees the problem quite differently. After the 18-year Spanish blockade of the colony, lifted only 2 years ago, London believes that co-operation between Gibraltar and Spain must first of all be developed at a local level.

The only way in which a

transfer of sovereignty could eventually be achieved is for Spain progressively to woo the Gibraltarians away from their allegiance to Britain, British officials argue.

Negotiations between the two countries are currently bogged down over Spanish proposals for the joint civilian use of Gibraltar's small military airstrip.

Spain would like to fly its own nationals either to or via Gibraltar without going through British or Gibraltarian frontier controls, a move that Britain sees as a concession on sovereignty.

Through Madrid has expressed its disappointment and frustration at the lack of progress, British officials claim that Gibraltar's hinterland, the Campo region, has already greatly benefited from local co-operation.

Spanish exports to Gibraltar last year totalled some £18m, Gibraltarians are estimated to be spending between £15m to £20m a year in Spain and Spanish workers are receiving

some £7m a year in Gibraltar pensions. At least 1,000 Spaniards are now commuting to jobs on the Rock, while about 500 Gibraltarian families have settled on the Spanish side of the border since it was reopened.

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## EUROPEAN NEWS

## Young make a violent comment on dull West German politics

BY ANDREW FISHER IN FRANKFURT

BROKEN plate-glass windows, burnt-out shops, damaged electricity pylons, and running battles with the police do not fit in with the orderly lives led by most West Germans. But violence, organised or random, has become an increasingly used outlet for youthful protest, as West Germany approaches its next general election on January 25 against a political background which a number of people of all generations find crushingly dull under the cosy but uninspiring Chancellorship of Helmut Kohl.

Not that there are any fringe political parties or movements with the remotest chance of gaining enough votes to gain representation in Parliament. The ruling centre-right coalition is expected to be voted in again, with the Social Democrats and the Greens remaining in opposition.

But with around 2m people out of work, strong opposition to nuclear power before and (especially) after the Chernobyl disaster, and growing resentment at the quantities of pollutants tipped into the cherished Rhine, there is plenty

of fuel for non-parliamentary activities which often spill over into riots and arrests.

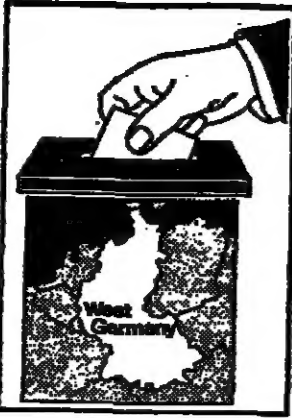
Dany Cohn-Bendit, one of the best-known of the student revolutionary leaders in the Paris riots of 1968 and now a committed member of West Germany's Greens, describes the so-called Chaothos (chaos) riots of the late 1980s as "marginalised youths."

"They are really people who are either jobless or wish jobs that offer little money or prospects," he argues. "They have added an ideology to their own personal position," says Mr Cohn-Bendit, now aged 41 and living in Frankfurt.

"It shouldn't all be taken too seriously. It's an expression of social crisis, but Germany is not about to slide into chaos. It's one of the most stable countries."

Politics, driven by the increasingly complex pressure of events, has nothing exciting to offer.

Nor does he see the latest student demonstrations in France as threatening any fundamental changes there. "It's



a superficial phenomenon." The conservative Government in Paris has been too stubborn in putting through its programme of economic change, he reckons.

Mr Cohn-Bendit now puts out a magazine called *Pflaster-Strand* (Pavement Beach), which is a mixture of left-wing articles and comment and information about entertainment and events in and around Frankfurt and Kassel. In it, he

has already written off the coming election.

"Nothing," he wrote in a recent issue, "spreads more boredom than an election campaign whose outcome is clear long before the actual vote."

For those at the centre of recent outbreaks of violence in some of West Germany's biggest towns and cities, the election is clearly a huge irrelevance. Broken windows, masked demonstrators, and harried and gaunt police have become common sight on TV news bulletins.

In Frankfurt a few weeks ago, several hundred students marched through the centre in protest at the death of a student in the recent Paris turmoil over education reforms. A few shops and banks had their windows smashed, and police reported that small groups of masked rioters had mingled in the march and caused the damage.

In Goettingen, a traditional university town not far from the East German border, the so-called Chaothos and anarchists have dug themselves deeply into the local student scene. More

than any other West German university town, though non-one is quite sure why, Goettingen has become a hotbed of violence, with an outraged populace and a demoralised police force.

There are around 30,000 students there, but the actual number of hard-core anarchists in the area is put at between one and two hundred people. Ideologically, they overlap at one end with the ecologically-minded Greens. But in the other direction, they are thought to have a much more dangerous and sinister link with the terrorist groups which have plagued West German society intermittently since the 1970s.

In Hamburg, violent protests broke out just before Christmas over plans by the authorities to clear several old houses in the dock area inhabited by squatters. Around 10,000 people strode through the city centre while shoppers were making their purchases on the last Saturday before Christmas.

Among the marchers were about 100 masked demonstrators, who clashed violently with

police and shouted revolutionary slogans. On the day after, arson attacks caused severe damage in several of the city's shops and stores.

Squatters have hit the headlines before in West Germany, outside Hamburg. In Frankfurt, houses were occupied in the now renovated and fashionable West End in a successful attempt to stop modern office blocks being put up by property companies and speculators. Berlin has also had its squatters in houses that landlords were allowing to deteriorate so they could rebuild at a handsome profit.

However, violence in Hamburg seemed to go beyond the social motivations that prompted some earlier squats. Among the inhabitants of the eight run-down houses in the St Pauli district, which the local Hamburg government now wants to clear, are not only students, say police, but petty criminals, drop-outs and others on the edge of society.

Militancy is not confined to West Germany's inner cities, however. Protests, often violent, have long occurred at nuclear

sites. The debate over nuclear energy is one which has raised passions among young and old alike.

This year, the anti-nuclear thrust has taken a strange twist, one that has confused and irritated both industry and government. Electricity pylons have been seen down in remote country areas, leading to a change in the law to classify those who cause such damage as terrorists.

There were around 100 attacks on pylons and power installations last year, far more than in 1985. Catching those responsible is hard, in view of the vast number of pylons, and protecting them is no easy matter either.

It seems unlikely that this month's election will resolve any of these issues, or that those involved for various reasons in violence or damage will change their tactics. In fact, the more stable, comfortable and well-off West Germany becomes, the more young people may want to prod painfully at what they see as an increasing political and economic complacency.

## Prague will give more freedom to companies

By Leslie Collett in Berlin

THE CZECHOSLOVAK leadership has outlined a programme to give individual companies greater independence to determine the goods they produce and how to sell them.

In an apparent contradiction, however, central planning and management are also to be "strengthened." They are to deal mainly with implementing economic targets, though, instead of issuing directives to companies.

The measures, which are to take effect in stages throughout the year, are part of a programme to "restructure the economic mechanism." They will only be applied fully when drawing up the next five-year plan from 1991 to 1995. The measures published last Friday in Prague carefully avoided the word "reform" which is anathema to the leadership.

In 1981, Czechoslovakia announced a "set of measures" to improve flagging economic performance but these were quietly buried last year.

Directors of companies are to be given a greater role in "formulating and implementing" economic plans. They are to have more say in determining the type of goods produced as methods to market them. In addition, employees' wages are to be differentiated "according to final work results."

Companies which remain unprofitable over a long period can have their production "discontinued" and their workers "transferred" and "requalified." As a last resort, inefficient companies may lose their independence and be merged with others. The measures stipulate, however, that this must not be detrimental to workers.

The present differing exchange rates of the non-convertible Czechoslovak koruna are eventually to be unified and a form of convertibility regulated by the state is to be achieved.

The currency changes in Czechoslovakia are to be linked with plans to make the transferable rouble a convertible currency within Comecon. At present it is only a clearing account device which cannot even be used to transfer surpluses in trade with one Comecon member to another one.

## Fighter companies to set up Greek unit

BY ANDRIANA IERODIAKOU IN ATHENS

GENERAL DYNAMICS, General Electric and Westinghouse, the US suppliers of 40 F-16 fighter aircraft and their components to Greece, are to set up a business development company in Athens responsible for implementing investment, trade and technology transfer programmes to offset the \$840m cost of the jets.

The final agreement for the purchase of the aircraft, covering offset benefits, was signed in Athens yesterday by the chief of the Greek Air Force General Staff, and a representative of General Dynamics. Delivery of the first F-16s is expected next year and Greece will pay for the aircraft using low interest US military credits.

Greece announced in 1984 that it would buy 40 F-16s and 40 Mirage 2000 fighters, the largest single weapons purchase in the country's military history, for the modernisation of its air force. A series of political hitches delayed Pentagon approval for the F-16 sale until

January last year. In an unusual move Greece subsequently decided to buy the jets through a direct commercial agreement with General Dynamics, rather than a government-to-government agreement with the US.

The Economy Ministry noted yesterday that "the results of the agreement will depend on our ability to take advantage of the opportunities it creates." Under the agreement the three US companies are to provide \$50m in capital over 10 years to finance the proposed business development company, starting this year with \$3.2m.

The Greek state, which will not contribute to the financing, will acquire 5 per cent of the shares, and have the right to appoint two of the eight directors. Greek approval will be required for the implementation of any programme proposed by the company, which is expected to operate for 15 years with the possibility of an extension.

## Public opposition to nuclear power increases in Italy

BY JOHN WYLES IN ROME

ITALIAN PUBLIC opinion against the development of nuclear power has hardened considerably since the Chernobyl disaster, increasing the pressure on the politicians to halt the existing programme.

This has emerged from an extensive poll for the *Corriere della Sera* newspaper on the eve of a national energy conference which is supposed to provide policy

recommendations for government and Parliament.

Nuclear power is set to be a dominant issue in the coming months because of the Government's desire to avoid a national referendum. This may have to be held by mid-summer if the political parties cannot overcome their divisions and agree a policy.

In the meantime, the national conference which was due to start in Venice

tomorrow looks increasingly likely to be postponed for a fortnight because the preparatory work has fallen behind schedule.

The poll reveals that 72.3 per cent would vote to abandon nuclear power if a referendum were held tomorrow. Since Italian referenda can only be used to amend existing laws, this would not be the choice offered later in the year if the referendum which

has garnered enough signatures actually goes ahead. It would, however, make nuclear power station construction much more difficult to accomplish against local opposition. At present, only 2 per cent of Italy's electric power is produced by nuclear means and the poll reveals that opinion is fairly evenly divided between those who would keep the three existing stations operating (39.5 per

cent) and those (41.7 per cent) who want them closed.

Seventy per cent did not believe that nuclear energy could ever be made acceptably safe. But there is no majority, either, for relying on existing coal and oil powered stations. Italians apparently prefer a future based on renewable energy sources and 67 per cent are prepared to suffer some fall in the quality of life

## Commission seeks EEC-wide use of credit cards

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission is launching a campaign to ensure that personal credit cards issued in any EEC member state can be used freely throughout the Community, as part of the move towards a frontier-free common market.

The aim will be to have compatible standards for cards using both magnetic strips and micro-chips, so that eventually a single terminal on any cash desk should be capable of accepting all credit cards.

Huge discrepancies currently exist between the sort of credit cards used in different member states. West Germans carry some 19m Eurocheque cards, the French 5m, and the Dutch and Belgians more than 2.5m each, while the British have a mere 850,000.

In comparison, there are more than 19m Visa and Access cards issued in Britain, compared with less than 500,000 in West Germany. Cash dispensers are the rage

in Britain and France, with 6,886 and 7,172 installed respectively at the end of 1985.

There were just 2,000 in West Germany, 1,800 in Italy, and only 24 in the Netherlands, according to the Commission figures. In 10 years' time, officials estimate there will be a Community market of 80m cards, and 400,000 terminals, worth about Ecu800m (\$584m).

"The use of these cards for cross-frontier payments within the Community must not be

restricted by national regulations or administrative provisions," the Commission declares.

Talks have already been held with major banks and card-issuing organisations to get agreement on what needs to be done, to make systems technically compatible and mutually accessible.

Next, the Commission intends to put forward a common code of conduct to govern relations between the issuing banks, and

the suppliers of goods and services accepting electronic payment.

The code would:

- make charging structures transparent and freely negotiated;
- ensure payments are irrevocable;
- protect information in databases;
- ensure compliance with competition rules;
- aim at a single terminal per cashdesk to accept all cards.

## August 20, 1986: a turning point in aviation history.



That was the day a Boeing flew over the Mojave Desert USA. Nothing unusual maybe, except that it was powered by a revolutionary unducted fan engine.

An engine that will be fitted on Boeing's new 777. The aircraft that will replace the 727s, DC9s, and early 737s currently in service. It will fly as high and cruise as fast as today's jets, but consume far less fuel. This

will mean the airliner will have operating costs which are 8% to 10% lower than jets entering service later this decade.

It's destined for a brilliant future and Short Brothers in the UK are sharing in the development programme. Everything's going to plan for production to start in 1988 and for the aircraft to enter service in 1992.

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## OVERSEAS NEWS

## Intense fighting continues in Iraq-Iran war

BY OUR FOREIGN STAFF

INTENSE fighting around Shalameh, a border post on the Shatt al Arab waterway, the south-west of the city of Basra, between Iranian and Iraqi forces continued yesterday for the fourth day in succession, according to the war communiques issued by both Tehran and Baghdad.

A visit to the front by President Saddam Hussein of Iraq shown by Iraqi television, seemed to underline the gravity of the threat.

Iranian forces maintained their foothold on the Iraqi side of the waterway. But Western intelligence officials said the Iraqis appeared to have contained the attack by three divisions, or 36,000 men, inflicting heavy casualties.

Baghdad Radio said the survivors of the invading force had been humiliated in on the shores of Fisk Lake, the area flooded by the Iraqis a few years ago to stem any advance at this sensitive point on the southern front.

General Adnan Khairallah, Iraqi Deputy Premier and Minister of Defence, said in Baghdad yesterday the invading force was "now engulfed in the killing zone of the 3rd and 7th Army Corps."

Encircled Iranian forces were confronted by "furious" fire power in what Gen Khairallah described as a "crematory." He urged survivors to surrender.

In Baghdad the military said the Iraqi Air Force had

bombed Qom, the spiritual capital of the Islamic Republic of Iran, with a missile fired from the south-west of the city of Basra, between Iranian and Iraqi forces continued yesterday for the fourth day in succession, according to the war communiques issued by both Tehran and Baghdad.

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## Afghan guerrillas silent on truce offer

By Mohammed Afshar in Islamabad

LEADERS of seven major Afghan guerrilla groups made some progress yesterday in talks concerning strategy over the proposed ceasefire set to start in Afghanistan on Thursday, but they continue to insist publicly that Moscow should negotiate with them directly.

Gen Najibullah, the Moscow-backed Communist leader of Afghanistan, has announced a unilateral ceasefire for six months from Thursday provided the guerrilla groups join the effort to end the war, now in its eighth year.

Mr. Mohammed Naji, leader of the seven party Islamic Alliance of Afghanistan, said several issues had been resolved and remaining issues would be discussed before Thursday. He refused to disclose any decision taken so far.

Mr. Gulbuddin Hekmatyar, a leader of one of the major groups, Hizb-e-Islami, said "it is preposterous to suggest the Afghan Mujahideen should agree to a ceasefire while the Soviet troops are occupying our country or to expect us to join in a coalition government with the Communists in Kabul."

## Fear of Aids hits Kenyan tourist industry

By Andrew Buckle in Nairobi

FEARS OVER Aids are beginning to hit Kenya's tourist sector, the country's third largest source of foreign exchange.

Hotels on the Kenyan coast report that up to 50 per cent of their bookings have been cancelled following recent articles in the West German press about the prevalence of Aids (acquired immune deficiency syndrome) in the area. West Germans and Swiss are the two largest tourist groups.

Last week the British Ministry of Defence banned members of the Parachute Regiment, on manoeuvres in Kenya, from visiting the resort towns of Mombasa and Malindi. Kenyan politicians have reacted angrily, suggesting that it was an anti-Aids campaign against the Kenya tourism industry and denying that Aids is a problem on the coast.

## Israel's Lavi fighter flies into heavy flak

BY OUR FOREIGN STAFF



Doubts grow over the future of the costly Lavi fighter

ON New Year's Eve, the Lavi (Lion), Israel's ambitious, high-technology combat aircraft for the year 2000, leapt off the drawing board and into the air on its maiden flight.

But two weeks later the costly project ran into heavy flak, political and military turbulence, casting its future into serious doubt.

Israel's military commanders are voicing second thoughts about the Lavi, under mounting pressure from the Reagan Administration to choose a cheaper option based on a US warplane, and facing severe restrictions on the defence budget.

"I like the Lavi, but I can live without it," the air force commander, Lieutenant-General Amos Lapidot, said in a recent interview. He warned that the programme could only go ahead if the Government committed substantial funds from outside the defence budget.

Washington's view, hampered home last week by Dr. Dov Zakheim, the deputy under-secretary of defence, is that Israel simply cannot afford the Lavi and the US must not provide an extra cent in military aid to finance it.

Mr. Gen Zakheim said the US calculated the Lavi would cost about 45 per cent more to build than the \$550m a year which Israel has budgeted. He presented Israeli leaders with 19 alternatives, of which the most plausible was that Israel would build a version of the Goshawk F-16, which has some of its own revolutionary avionics.

Senior defence officials say

this solution would meet military requirements and release much-needed funds for other weapons projects.

Privately, they doubt whether Israel really needs or could afford to fly the 240 to 300 Lavis originally envisaged. While the Lavi is designed primarily as a strike aircraft, Israel's air strategy will remain based on air-superiority fighters, they say.

But if the air force were to scale down its requirement to a more realistic number, say 150, the unit price of the aircraft would soar further. Already some \$1.2bn has been spent on development, although most of this was US taxpayers' money.

If the military, hard hit by budget cuts and short of money for basic training, is prepared to sacrifice the Lavi, the same does not seem to be true of Israel's politicians.

For them, particularly in the right-wing Likud bloc which launched the project, the Lavi is more than just an aeroplane—it is a potent national symbol, a test case for the technological

and industrial future of this small but proud nation.

That, too, is the argument of Israel Aircraft Industries (IAI), the state-owned manufacturer which is Israel's largest industrial employer, has considerable political clout.

IAI estimates that around 4,000 of its 22,000 workers are employed on the Lavi project and the figure would rise to 6,000 in the 1990s when the aircraft goes into production.

"Israel's aerospace industry is at a turning point today," an IAI executive involved in the Lavi project said. "We have to decide as a nation on a permanent war footing whether we stay in the big league or not, with all that entails for industry, employment, technology and security."

Most of the alternatives would provide substantial work for Israeli companies, but the level of technology would not necessarily match the Lavi project, for which Elbit Computers has developed unique cockpit data - processing computers

designed to give the pilot only absolutely essential information.

Beyond the technological and jobs arguments, some of the Lavi's advocates claim that dropping it would embolden Israel's Arab enemies.

The Lavi presents difficult choices for Israel's shaky national unity government, which includes no fewer than five current and former defence ministers—Mr. Yitzhak Rabin, Mr. Shimon Peres, Mr. Ezer Weizman, Mr. Ariel Sharon and Mr. Moshe Arens.

Two of the five, Mr. Sharon and Mr. Arens, are contenders to succeed Prime Minister Yitzhak Shamir as Likud leader. Both fiercely support the Lavi. On the other side of the political fence, while Mr. Weizman and (in private) the present Defence Minister Rabin have their doubts about the plane, Mr. Shimon Peres, the Labour Party leader, still trumpets it as a project of paramount national importance.

Most Israeli politicians, regardless of party allegiance, are deeply imbued with the belief that given Israel's unique security situation, "nothing's too good for the army."

Israel warplanes attacked a Palestinian guerrilla position yesterday in their third raid on Lebanon this year, the Israeli army said, reports Reuters from Tel Aviv.

The army said the planes attacked a building southeast of Sidon in southern Lebanon, used by a Palestinian organisation for storing weapons and ammunition.

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No neither major party wants to be first to propose sacrificing the Israeli plane for an American alternative. But if anything, a significant sum will be lost if the military dead-end, it is the immediacy of the cost problem.

The Lavi is swallowing a growing share of the \$1.8bn annual US military aid and Washington has told Israel there will be no extra grant.

"We have severe difficulties making ends meet within the current support structure and the Lavi takes a very significant portion of the support," said General Lapidot, the air force commander.

"Israel must decide in the current fiscal year whether or not the Lavi is a project of national importance, and if so, make a significant sum available from outside the defence budget. If the decision is that this is not a national project, it should be dropped," he said.

## Chun warns opposition over constitution battle

BY MAGGIE FORD IN SEOUL

PRESIDENT Chun Doo Hwan of South Korea yesterday warned opposition politicians that he would have no choice but to make a "grave decision" to ensure political progress if they were unable to reach consensus with the ruling party on amending the country's constitution in advance of elections.

Delivering a wide-ranging new plans to boost the economy, he reaffirmed his pledge to step down from the presidency in early 1988, but expressed his "chagrin" at the

failure of political negotiations over the past six months.

The talks have reached a stalemate over the issue of what type of elections should be held later this year. The ruling Democratic Justice Party favours a constituency voting on the British parliamentary model with a Prime Minister chosen from the winning party, while the opposition is campaigning for the direct election of a President by popular ballot.

In contrast to the lack of political progress, President Chun pointed to South Korea's economic achievements.

FEARS OVER Aids are beginning to hit Kenya's tourist sector, the country's third largest source of foreign exchange.

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## Mozambique cabinet reshuffled

BY ANTHONY ROBINSON IN JOHANNESBURG

THE MOZAMBIQUE security minister, Mr. Sergio Vieira, has been sacked along with the government of Frelimo, the ruling party in Mozambique, in a Government reshuffle announced after the conclusion of a five day meeting of the ruling Frelimo party central committee in Maputo.

Mr. Pascual Mocimbi, the former Minister of Health, has been appointed as the new Minister of Foreign Affairs, the post formerly held by President Joaquim Chissano who succeeded President Samora Machel, killed in an air crash on South African soil on October 18.

Mr. Mariano Matsinhe, a veteran of Frelimo's liberation struggle against Portugal, has taken over the key security portfolio while Mr. Vieira has been dropped from the cabinet and given only a minor post as director of the party cadre school.

Pretoria has made no official comment on the reshuffle but the removal of Mr. Vieira, regarded in S. Africa as one of the most dogmatically pro-Soviet members of the Frelimo Government, could lead to closer co-operation between the two governments on all-important security issues.

In recent weeks South Africa has stepped up pressure on Maputo to further restrict the activities of the African National Congress (ANC) and six ANC members, including Mr. Jacob Zuma, its chief representative in Maputo were "banned" back to ANC headquarters in Lusaka on Friday.

Mr. Vieira's position had been severely weakened by the success of last week's attack by Mozambique National Resistance (MNR) rebels on a hydro power station, hospital and police station at Monopos, which deprived the nearby provincial capital of Nampula, and its military academy, of electricity.

Replacement of the two provincial governors also reflects their failure to wage a successful counter-offensive against MNR rebels who, despite denials from Frelimo, are believed to have received clandestine South African military support.

Last month President Chissano reaffirmed his commitment to the March 1984 Nkomati accord with South Africa under which Mozambique undertook to restrict the activities of the ANC in return for an understanding that Pretoria would end its support for the MNR and resume normal political and economic links.

## Shultz holds Lagos talks with Nigerian leader

BY OUR FOREIGN STAFF

MR. GEORGE SHULTZ, the US Secretary of State, yesterday held talks with Nigeria's military leader, General Ibrahim Babangida, during a 10 hour visit to Lagos, the fourth stop of a six nation African tour.

Mr. Shultz, who was due to hold a press conference last night before flying to the Ivory Coast, was thought to have discussed the current conflict in Chad, explained US policy towards South Africa, and expressed US concern about the involvement of Nigerians in drug trafficking to the US.

Mr. Shultz is likely to respond to the call by Prof. Bolaji Akinyemi, the Nigerian foreign minister, for France and the US to halt military shipments to Chad, by reassuring what Washington sees as the need to curtail Libyan activity in the region.

Officials travelling with Mr. Shultz said Nigeria's ban on US wheat imports would also come under discussion. Last year Nigeria banned wheat imports in an effort to encourage production of local staple foods and cut imports. US wheat sales to Nigeria were worth \$225m in 1985.

Nigerian newspapers have given Mr. Shultz a hostile reception. "Your government's policy of 'constructive engagement' with racist South Africa is 'baffling' the Guardian said.

Mr. Shultz is likely to respond to the call by Prof. Bolaji Akinyemi, the Nigerian foreign minister, for France and the US to halt military shipments to Chad, by reassuring what Washington sees as the need to curtail Libyan activity in the region.

## AMERICAN NEWS

## New White House spokesman announced

By Stewart Fleming in Washington

MR. MARLIN Fitzwater, a veteran government information officer who has spent the past year as spokesman for vice president George Bush will be taking over from Mr. Larry Speakes as President Ronald Reagan's chief spokesman, the White House announced yesterday.

Mr. Fitzwater, 42, has a reputation as being an approachable and knowledgeable official. He was deputy White House press secretary for domestic policy from September 1983 to April 1985. He had previously headed the Treasury press public affairs department when Mr. Donald Regan, the current White House Chief of Staff was Treasury Secretary.

There has been persistent speculation about who would succeed Mr. Speakes since the announced late last year that he was leaving the government to take on the top public relations job at Merrill Lynch.

He faces a formidable challenge at the White House where for weeks Mr. Speakes has been under siege at the twice daily press briefings as reporters have sought to extract information about the Iran arms deal controversy.

## Mexico faces unrest over academic reform

BY DAVID GARDNER IN MEXICO CITY

MEXICO is facing the prospect of its first serious student unrest since 1968 after the rejection by student leaders of revised academic reforms at the National University (UNAM).

The reforms, similar to the French Government's ill-fated attempt to raise academic standards, sparked strong opposition when they were introduced last September, leading to the biggest student demonstrations here since the 1968 agitation, which was also parallel to the major student riots in Paris and elsewhere that year.

The 1968 movement here was suppressed by massacre, when army and paramilitary forces shot about 500 student protesters in a central Mexico City square on the eve of the Olympic Games.

The atmosphere of the present dispute has been peaceful so far. After two major demonstrations and a 24-hour strike at the end of last year, the UNAM authorities opened a public debate on the reforms into account figures in Student Council (CEU), an ad hoc body thrown up by the protests.

In effect, these talks have become negotiations in the course of which the authorities have presented modified proposals which the CEU leaders yesterday rejected out of hand.

threatening a general strike at the 350,000-student UNAM unless the reforms are totally withdrawn.

At the root of the dispute is a bid by the rector, Mr. Jorge Carpizo, to raise academic standards by sharply increasing requirements for entry and the conferral of degrees, by more rigorous assessments through faculty exams and by raising more cash for the under-financed UNAM through higher fees.

In the watered down proposals, a seven (out of 10) pass average over four years is sufficient for entry, against the suggested eight average, and passes completed in three years of study. At the moment, average entry grades are about four out of 10 while only about a third of students obtain degrees.

The proposals retain the existing fees level and lean back towards current methods of student assessment carried out mostly by the professors.

The CEU leaders are holding out against entry restrictions and are calling for the debt-strapped Government to double funding for the UNAM. They want to begin a series of mass meetings yesterday and are scheduled to continue talks with the authorities on Friday.

## Ford chief in warning to Japan on fair trade

By Anatole Katetsky in New York

JAPAN must reduce its voluntary limit on US car exports and accept a further sharp revaluation of the yen before fair trade can be restored between the countries, Mr. Harold Polling, president of Ford Motor Company said yesterday.

In a hard-hitting speech which appeared to reflect the US motor industry's dismay about the continuing decline in its market share last year, Mr. Polling told the Detroit Economic Club that Japan should cut its car shipments to the US from the present limit of 2.3m units to 2m units.

The tighter restriction was needed to offset the rapidly growing number of vehicles assembled in the US by Japanese manufacturers, Mr. Polling argued.

The Japanese should also increase the US content of vehicles assembled in the US, he said.

Mr. Polling said the US was failing to make the most of the trade imbalance because they accounted to merely assembling made-in-Japan auto kits in Tennessee, Kentucky and Ohio.

He said that exchange rate realignments would redress the US trade balance had been disappointed. Mr. Polling said, because the yen remained well below the level required to "place an accurate value on Japanese goods in the US market."

Minister sacked in Jamaica

MR. DOUGLAS VAZ, a junior minister for Industry and Commerce, has been sacked by Mr. Edward Seaga, the Jamaican Prime Minister.

Mr. Vaz, Industry and Commerce minister until he was sacked in a Cabinet reshuffle two months ago, said the agreement with the fund would damage the island's business community through removing incentives granted over the past 30 years.

## Doreen Gillespie in Lima on the progress of the economy

## Garcia stays on path to growth

BY DAVID GARDNER IN LIMA

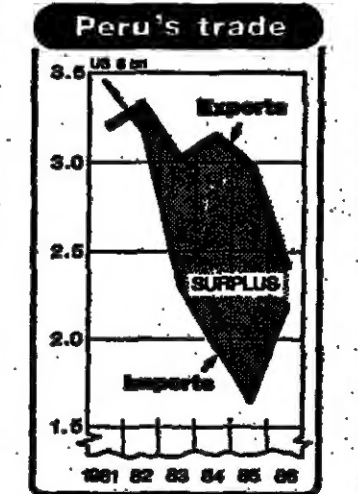
THE PERUVIAN Government of President Alan Garcia remains committed to a policy of high growth after 15 months in office in spite of a growing drain on reserves to pay for an upsurge in imports.

The drain on reserves, furthermore, is occurring even though the Government continues to pursue a policy of restricting service of its \$13.7bn foreign debt to 10 per cent of exports.

On the latest projections the Government is confident that in the last year the economy grew 8.5 per cent. This is higher than originally expected and higher than any other country in Latin America outside Brazil. President Garcia furthermore recently predicted that the economy would grow on average 6 per cent through 1990.

President Garcia's justification for this policy of high growth is basically political. He argues that only through rapid growth can the country be steered away from the political instability caused by the fanatical Maoist guerrilla movement, Sendero Luminoso (Shining Path) and the disaffected urban poor who congregate in and around the capital, Lima. At the same time he continues to argue that only with a revitalised domestic economy can Peru begin to service properly its foreign debt.

In purely political terms, this policy was vindicated by the positive results for the ruling American Popular Revolutionary Alliance (APRA) in the November municipal elections. However, the policy has had a price, especially regarding the overvalued official exchange rate of the fri against the dollar. Imports have been sucked in an reserves have plunged below the \$1bn mark.



for the first time in three years. In early December reserves were down to \$976m against \$1.5bn in March. Debt service has been running at around only \$40m per month.

The Government has reacted to the fall with a finance package aimed at restricting imports and boosting exports through selective devaluation in addition to the pre-arranged devaluation of 2.2 per cent, due to start at the end of this month. The package, which has been emerging piecemeal since the beginning of December, also relies heavily on attracting private investment.

President Garcia since June has been coaxing and bullying Peruvian businessmen into expanding mainly in consumer manufacturing and food industry. Promised credit and tax incentives are slowly coming.

But the Government has given an important indication of the industries it intends to promote

in the package, mainly through selective devaluation announced by President Garcia at the beginning of December.

The highest exchange rate, including a 30 per cent bonus over the financial rate (currently 1740 to the dollar) is to be paid to labour-intensive industries which, by using local raw material, require the least dollar expenditures.

Manufacturers of cotton, woolen and alpaca garments, canned fish and shell fish, agro-industrial products and gold handicrafts will be getting 25.62 to the dollar including certain (foreign exchange) tax refunds.

The lowest exchange rates, half-way between the official rate of 13.25 and the financial rate, are being paid to traditional exporters of oil and copper followed by other minerals and commodities like cotton, wool and fish.

The theoretical exchange rate that production cannot increase quickly and revenue is tied to sluggish international prices. Last year's exports fell by \$500m on the 1985 total of \$2.9bn, reflecting both the low prices and the semi-frozen exchange rate since August 1985.

Imports, including an increase in manufacturing inputs and capital goods as well as basic foodstuffs to cover shortages, left only a marginal trade balance last year.

The Government will continue to use the base rate for imports of wheat, milk, powder and other basic foods and services, newspaper and some agricultural inputs. All other imports have been shifted to the financial rate.

Meanwhile Congress, which has approved financial legislation for the 1987 budget, has

given the executive a free hand to handle the long-term renegotiation of the \$14bn foreign debt. Bankers say this has always been decided by President Garcia.

Congress has also, optimistically, authorised the central government to borrow up to \$500m abroad this year. About \$20m will be used for imports for priority sectors like agriculture, fishing, health and education. Another \$30m is designated for production of essential goods and services, and \$200m has been earmarked for balance of payments loans.

Money raising efforts include government plans to sell up to \$40m worth of state shares in some of the more attractive state business ventures. There has been immediate political opposition to the proposal from left wing politicians.

Government does not expect a rush of buyers, but it is considering putting up including state holdings in cement companies, regional electricity corporations and the telecommunications on the Lima Stock Exchange, where it hopes to raise \$100m. There are designated for national defence, \$300m is authorised for imports needed for production of like Perpetroperu, Electropetro or public utilities companies which together have lost \$400m this year. Neither are there likely to be any offers.

There is little doubt that President Garcia will succeed in raising the funds necessary from industry to raise the expansion he is seeking although perhaps not the \$100m to \$300m he hopes. Independent last year's growth was also close to backing President Garcia's 6 per cent forecast for the coming year.

## Shell confirms promising gas find in Peru

ROYAL DUTCH SHELL

has confirmed promising gas discoveries in Peru's central southern jungle where it has spent \$180m (£122m) in exploration over the past five years.

It is going ahead this year with two more exploratory wells and an economic study on whether it can use the finds

despite the Garcia Government's nationalistic attitude towards foreign oil companies.

Shell expects to spend another \$40m this year, taking its total investment in Peru to \$220m.

Shell's latest well, the Cashari tested at between 20m and 30m cu ft a day. The company is preparing a second well

at the end of next month, hoping to verify an oil leg under the gas.

Shell has already found large reserves of gas in the central southern jungle with two wells, the Segakato and San Martin, drilled in 1984 and 1985. It estimates these reserves at 3 trillion cu ft of gas.

Shell's study, to be completed in March, is exploring every possible use of the gas. But the find is east of the Andes, requiring a trans-Andean pipeline to the southern coast, at an estimated cost of \$1bn. An alternative market could be Brazil where Occidental Petroleum pipes gas from Bolivia

## Foreign Office denies contacts with Argentina

By Our Foreign Staff

The British Foreign Office yesterday strongly denied reports of indirect contacts between Britain and Argentina to reduce possible conflicts when the new 150-mile fisheries conservation zone round the Falkland Islands comes into force on February 1.

The denial was issued after senior Government officials in Buenos Aires said at the weekend that indirect contacts between Argentina and Britain had been taking place on the fisheries issue.



## Japanese business leaders warn EEC over dumping duties

BY CARLA RAPAPORT IN TOKYO

JAPAN'S powerful Keidanren, the confederation of business organisations, in an unprecedented move, has sent a letter of protest against proposals to extend European anti-dumping duties to the heads of state and top officials of all EEC countries.

The letter, signed by Mr Akio Morita, chairman of Sony and vice chairman of the Keidanren, warns that the proposed extension of anti-dumping duties gives rise to "serious concern over the future of the industrial co-operation between Japan and member states."

The anti-dumping duty extension, if approved, would automatically cover all the companies producing currently subject to anti-dumping duties. It is being considered as a means of clamping down on so-called "screwdriver" assembly operations within the EEC, which rely heavily on imported components, mainly from Japan. It would primarily affect the Japanese electronics, office equipment and construction equipment plants in Europe.

The Keidanren letter says the proposed legislation would "surely discourage" direct investment by Japan into Europe. The Japanese estimate their investments in Europe, worth more than \$2bn, provide more than 72,000 jobs.

The letter is highly unusual in that it takes an outspoken stance against legislation which is still under discussion in Brussels. The Japanese have traditionally shied away from expressing their views on sensitive trade issues.

A new sense of aggressiveness is shown throughout the letter. For example, it claims that Japanese companies import components primarily to maintain the quality of their products, not in order to reduce costs and circumvent anti-dumping duties.

"It is often difficult to get satisfactory local sourcing of appropriate parts or components," the letter charges. It adds that Japanese companies are aiming to boost local sourcing, but "it seems strange that the EEC should attempt to force the incorporation of local parts and components... by legal or administrative means."

It also suggests the proposed legislation would contravene the General Agreement on Tariffs and Trade.

A Keidanren official yesterday added: "Japanese manufacturers are keenly interested in investing in Europe, but this will cut back on their investment very harshly."

## Soviet export demand limits joint ventures

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union only expects initially to sign agreements for ten or 12 joint ventures with Western companies, senior Soviet trade officials have told Western diplomats. Soviet foreign trade was restructured by decree last September—one of several reforms initiated by Mr Mikhail Gorbachev, the Soviet leader.

In talks between Western companies and Soviet officials the main obstacle to emerge is Moscow's wish to finance joint ventures through exports to the West while Western companies see joint ventures as selling to the Soviet market itself.

Soviet officials insist that they want to earn hard currency directly through sales to the

An institute to help Soviet companies and ministries grapple with marketing problems following recent foreign trade reforms, has been set up in Moscow, Tass announced yesterday. The Institute for Foreign

Economic Links will provide recommendations to more than 20 ministries and 70 enterprises which since January 1 have had the right to conduct foreign trade with Western markets independently.

Prof Igor Faminsky, the institute's director, told Tass that the new organisation would seek to improve the Soviet trading position, one of the first to be studied being joint ventures.

ministries, say Soviet Trade officials.

The Soviet foreign trade gap, which opened alarmingly last year, may be reduced by the rise in the world oil price. Soviet officials have made clear, however, that they would not bridge the gap by long-term borrowing from foreign banks.

Meanwhile a major project, the Blagoveschensk synthetic fibre polyester plant, for which Davy McKee and ICI of the UK are bidding, is being tendered again after being delayed last year. The \$1bn contract, once offered on a turnkey basis, is now JCB, West German and Japanese consorts are also competing for the project.

West of products made by joint ventures while potential Western partners say the main benefit to the Soviet Union should be through import substitution. Joint ventures would make goods within the Soviet Union hitherto imported from abroad, the hard currency profit of the foreign partner being linked to the cost of imports saved.

The idea of joint ventures with Western companies emerged early last year partly in response to the fall in Soviet oil and gas prices heavily cutting Moscow's export earnings. Between 80 and 85 per cent of Soviet exports are in the form of energy or raw materials.

In addition to joint ventures the Soviet Foreign Trade Ministry, which hitherto monopolised overseas commerce, has developed part of

its authority to 21 industrial ministries and 72 state enterprises from the beginning of this year. Nine foreign trade organisations, the operating arm of the foreign trade ministry, have now been hived off to the appropriate ministries and enterprises.

This places two thirds of Soviet machinery and equipment exports and one third of imports in the hands of the

## Moscow close to power plant accord with Delhi

BY K. K. SHARMA IN NEW DELHI

ALTHOUGH INDIA is reluctant to accept an offer from the Soviet Union to build nuclear power plants in the country, the stage is set for large-scale Indo-Soviet co-operation in other forms of electricity generation.

After three days of talks between Mr A. I. Mayorets, the Soviet Minister for Power and Electrification, and Mr Yashwant Sahas, Indian Energy Minister, it was announced yesterday that

deals had been discussed for the construction of at least five big power projects by Russia.

These would be a super thermal plant at Bakreshwar in West Bengal, at least two major thermal plants at pit-heads in Tamil Nadu and Bihar and co-operation in laying a 400 KV transmission line from Srirangar to Duhasti in the state of Jammu and Kashmir. The existing 1,260 MW Soviet-aided power

plant at Vindhyachal is to be expanded.

These are in addition to the 2,400 MW hydro-power complex at Tehri in Uttar Pradesh that Moscow agreed to build on a turnkey basis when Mr Mikhail Gorbachev visited India last November.

Financing of the projects should not be a problem as the Soviet Union has extended two separate credits of one billion roubles each in the

past year. Both are meant to finance shipments of equipment from the Soviet Union to India for Soviet-aided projects and so far have remained largely unused.

There are severe current electricity shortages in India hampering industrial production in most parts of the country. New plants that can be commissioned quickly are badly needed, as is a national power grid and Moscow has

offered to help in setting this up as well.

The Soviet Union has been seeking big, prestigious projects in India as it has been a long time since it helped set up the big steel and heavy engineering plants in the 1950s and 1960s. Many of these are now obsolete and making losses and India has turned to Western companies for new technology in these areas.

## Queensland PM seeks coal deal in Turkey

BY CHRIS SHEPHERD IN SYDNEY

SIR JOHN BIELKE-PETERSEN, Premier of the Australian state of Queensland, has flown to Turkey in a bid to secure a \$1.5bn (£1,025m) thermal power station deal which will use Queensland coal.

An Australian-based consortium with Chiyoda of Japan as main contractor is in competition for the contract with others led by Bechtel of the US and Brown Boveri of Switzerland.

Under the proposed deal, the Queensland Government would take a 50% equity stake in the project in return for long-term guarantees for the use of Queensland coal.

If it goes through, Sir John says up to three new coal mines could be opened in Queensland, involving thousands of jobs, to meet exports of 3.5m tonnes of coal a year.

The Turkish Government would also take a stake in the project. Apart from a \$1.5bn power station to be built at Gaz in southern Turkey, the project involves the construction of a desalination plant at Izmir. Others in the Australian-based consortium are Seapac, a Sydney company, and Westinghouse of the US, which would be the subcontractor for some of the work and have responsibility for operation and maintenance of the power station.

Saudi visit for Channon  
Mr Paul Channon, the British Trade and Industry Secretary, will start a three-day visit to Saudi Arabia on Friday, the Department of Trade and Industry said yesterday. Our World Trade Staff writes.

## Malaysia scours markets to sell its national car

BY WONG SUI LONG IN KUALA LUMPUR

MALAYSIA'S national car, the Proton Saga, has proved its technical competence after 18 months on the roads. As elegant as any Japanese car, it is desperately seeking export markets as the domestic market suffers its worst contraction.

The prospects for the Malaysian car market are so depressed that Mitsubishi, the Japanese partner in the Malaysian car project, has recently expressed doubts over the future of the Saga.

The Mitsubishi group's concern arose when sales of the Saga fell to below 800 units last August, following a hefty price increase. Sales later recovered to around 2,000 units when the prices were lowered.

Perusahaan Otomobil Nasional Proton, manufacturer of the Malaysian car, has signed up with agents to export the Saga to the British and US markets. But sales to these countries are not expected to begin until 1988, after the car has complied with various tests and regulations.

Mr Malcolm Bricklin, chairman of Bricklin Industries, the US distributor, is confident of selling as many as 100,000 Sagas in the US a year. Bricklin previously launched the Japanese Subaru and Youngman's Yugo in the US.

But Proton officials will have to be content with less attractive markets such as Bangladesh, Sri Lanka and Papua New Guinea, for the immediate future.

Proton is 70 per cent owned by Hicom, the Government's Heavy Industries Corporation of Malaysia and 30 per cent by Mitsubishi Corporation and Mitsubishi Motors.

The car project, which cost around Ringgit 60m (£230m) is a corollary of Prime Minister Dr Mahatir Mohamad's plans to push Malaysia into the ranks of industrialised nations. He envisages a wide range of industrial spin-offs from car manufacturing.

Since Proton started selling its cars in September 1985, the Saga has captured half the Malaysian market. It comes in a 1300cc and a 1500cc version and is sold at between Ringgit 19,000 and Ringgit 22,000 (£7,300 and £8,500).

The prolonged Malaysian recession, which has severely contracted the car market, has put the Saga into jeopardy.

According to the Malaysian

## Shipyard orders for S Korea up 200%

FOREIGN orders placed with South Korean shipyards rose to 2,500 gross tons in calendar 1986, nearly 200 per cent above the 771,000 tons reported in 1985, officials of the Korean Shipowners' Association said. Reuter reports from Seoul.

The value of the 1986 orders more than doubled to \$1,070m (£720m) last year from \$522m in 1985, they said. The officials said the rise was due mainly to the strong yen, which made South Korean yards more competitive.

The backlog of foreign orders at end-1986 stood at 72 ships totalling 2,600 gross tons, against 123 ships totalling 2,540 tons a year earlier, they said.

Motor Manufacturers' Association, car sales for 1986 are estimated at around 45,000 units, compared with 65,000 units in 1985 and 100,000 units in 1984.

When the Malaysian car project was launched in 1982, the local market was projected to grow by a healthy 8 per cent annually.

Proton has had to curtail its production. According to original projections, Proton should be turning out about 50,000 Sagas for 1987 but it is unlikely that more than 25,000 units will be produced.

Reasons of the small production volume, the Saga will continue to be heavily subsidised.

Another problem facing the Malaysian car is the strong Japanese yen, which has appreciated some 50 per cent of the Saga's value, not to mention the huge yen loans taken to build the car plant outside Kuala Lumpur.

The Proton Saga so far has been slow in building Dr Mahatir's hopes of manufacturing spin-offs. At a recent meeting with Mr Tengku Razaleigh, the Trade and Industry Minister, local car parts manufacturers complained Proton was applying too stringent conditions, with the result that few local suppliers could meet the quality standards.

One angry supplier said: "Proton wants us to meet their standards, but unless we have the orders, how is our factory going to survive?"

Proton is also facing criticisms from local car assemblers who accused the Malaysian national car of unfair competition. Imported parts for the Saga are exempted from duty, while Malaysian car assemblers have to pay heavy duties for their CKD (completely knocked down) car assembly kits.

The seven car assemblers have been forced to retrench and at least three assemblers of Japanese models have temporarily stopped production to clear unsold stocks.

Despite the gloomy prospects, the Malaysian Government is confident of the future of its car project. Until the appreciation of the yen, Malaysia had won itself a cheap car industry.

But to survive now without heavy subsidies, the Proton Saga must fight for a good share of the foreign market.

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## UK NEWS

# Costs rise points to higher retail price inflation

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE COST of manufacturers' fuel and raw materials jumped sharply in December for the second successive month, largely due to a seasonal increase in electricity charges. The rise confirmed the upward trend in costs seen since the middle of last year.

The trend has encouraged forecasts that Britain's retail price inflation will rise steadily this year, although so far manufacturers have absorbed most of the additional costs without putting up their factory gate prices.

The Department of Trade and Industry said that manufacturers' input costs rose by 2.1 per cent in December following an increase of 2.8 per cent the previous month.

Officials said that the latest rise was almost entirely due to the normal increase in electricity costs at this time of year, and pointed out that the seasonally-adjusted index actually fell by 0.6 per cent in December.

Because of the steep drop in the oil price at the beginning of the 1986 and the general weakness of international commodity prices, costs last month were still 3.3 per cent lower than a year earlier. That figure, however, compares with the annual fall of over 10 per cent seen in mid-1986, which is now generally regarded as marking the trough of the present inflation cycle.

The increase in manufacturers' factory gate prices last month was a

much more modest 0.3 per cent, leaving the annual rate of change at 4.2 per cent, the same as in November.

The latest surveys from the Confederation of British Industry, however, suggest that manufacturers plan to pass on more of their cost increases to consumers over coming months, which would push up the retail price index.

At present retail price inflation is running at an annual 3.5 per cent. The Treasury's forecast suggests that it will peak at just over 4 per cent in the summer before falling back to 3.75 per cent at the end of the year.

Other forecasters, however, are not so optimistic, with most suggesting the rate will reach closer to 5 per cent, particularly if the recent rise in oil prices is sustained.

Petrol price increases announced by the major oil companies over the past few days will feed directly into retail price inflation during the next month.

Demand for consumer credit fell back slightly in November but retail spending in Britain continued to break new records, according to official figures.

The Department of Trade and Industry said that £2.6bn of new credit was advanced by finance houses and retailers and on bank credit cards during the month. That compared with £2.8bn in the previous month.

## Merger clearance for Peat Marwick-KMG

BY OUR FINANCIAL STAFF

THE DEPARTMENT of Trade and Industry (DTI) has cleared the proposed merger between Peat Marwick Mitchell and KMG Thomson McIntock. The merger, announced last September, will create the UK's largest accountancy firm.

The clearance applies only to the UK operations of the two firms, which also operate abroad. The foreign operations will need separate approval where this is required.

A Peat Marwick spokesman said last night that the DTI's decision had removed the final restraint on the merger, which is now expected to be completed on April 1. The combined firm will have fee income approaching £200m and 428 partners.

The DTI's statement yesterday said that the decision should not be interpreted as necessarily indicative of its attitude towards other accountancy mergers.

## MPs give tribute to Master of Parliament

By Ivor Owen

TRIBUTES WERE paid from all quarters of the House of Commons yesterday to Lord Stockton, formerly Mr Harold Macmillan, who died on December 28, aged 82. He was the Master of Parliament, whose political views remained their relevance through and beyond the six decades that he was on the Westminster stage.

They were led by Mrs Margaret Thatcher, the Prime Minister, who in describing him as a man of courage, determination, wit and compassion did not dwell on her own antipathy towards the Keynesian policies, his colleagues advocated.

She recalled his dominance in the Commons in the early years of the 1950s period when she first entered the House, and his brilliant speeches in the House of Lords after becoming the Earl of Stockton at the age of 80.

Mrs Thatcher acknowledged that up until the time of his death Lord Stockton kept his eye "firmly and positively on the future. He showed generations to come how to grasp the opportunities of the future while never forgetting the legacy of his past," she said.

Mr Neil Kinnock the Labour leader, insisted that Mr Macmillan would not have expected the tributes - traditionally paid to former Prime Ministers on the first occasion parliament meets after their death - to take the form of canonisation.

He maintained that while his period of office as Prime Minister had been a time of change, confidence and in Britain it was also true that opportunities had been missed and changes avoided.

Mr Edward Heath, who served Mr Macmillan as a Cabinet colleague before becoming Prime Minister himself, said that history would eventually form a judgment on his career. He did not expect this to accord with what he termed "the rather superficial judgments made shortly after Mr Macmillan resigned as Prime Minister in 1963, and which, 20 years later, were being revised."

## INTERNATIONAL LABOUR CONFERENCE DISCUSSES WORLD'S LARGEST COMPUTER COMPANY

# IBM 'poses biggest challenge to unions'

BY PHILIP BASSETT, LABOUR EDITOR

SECURING union representation in IBM, the world's largest computer company, is the "labour equivalent of putting a man on the moon," a special international trade union conference on Organising In The Company was told yesterday.

The conference was the first of its kind and was organised by three international union federations, the IMF metalworkers, FIET white-collar workers and PTIT communication workers. Its main aim was how to establish union organisation in the predominantly non-union company, where only about 2.5 per cent of its employees worldwide are union members.

The conference in London has union representatives from 22 countries, and its proceedings are being translated into eight languages.

Introducing it, Mr Herman Rehman, IMF general secretary, said that because IBM had so successfully kept out trade unions it had become a symbol to those who see in the labour movement an unnecessary limitation of their own powers of control.

Although IBM was by no means the only non-union company in the world, it was the "most notorious." He gave a warning that if unions "let this challenge go by default it will set the pattern for the whole of the new technology industries."

Echoing the stark realism of the report produced for the conference, he said: "I do not underestimate the difficulties. We are setting out to tackle one of the biggest jobs in the 20th century trade union organisation."

Getting trade union representation at IBM is the labour equivalent of putting a man on the moon.

It was curious that it was in the new technology industries, which should be by their nature the most enlightened, offered the most resistance to trade union organisation. But he said that IBM employees "belong precisely to that new stratum of workers - technologists, scientists, designers, salesmen - who have to be unionised."

He equated IBM with the Conservative Party in the UK. "Both subscribe to the elitist cult of the individual - the blue bloods as against the collective voice, needs and wants of working people. Both want to see the labour movement emasculated."

Mr Norman Willis, TUC general

secretary, said that tackling IBM was a "particularly difficult trade union problem of critical concern to the trade union movement around the world." A breakthrough in building organisation in the company would be a "valuable advance."

Trade unions needed generally to break through in the information technology sector - and trade unions could be valuable to people working in it. "The people producing the new technology have no less need for trade unions than their mothers and fathers."

But unions' traditional approaches to recruitment were "outdated and ill-suited to attracting the people who work in the high technology sector."

Mr Morty Bahr, president of the Communication Workers of Ameri-

ca, who is chairing the conference, said unions needed to "strip away the invincibility aura" which surrounds IBM.

In addition to the initiatives the unions are to take on telephone lines for IBM employees to find out about trade unionism, he proposed that the unions should establish an international information exchange about IBM.

IBM UK said yesterday that it had no response to make on the conference itself. But it pointed out that the company respected all relevant national legislation on trade unions, works council rights and other aspects of industrial relations, and that it recognised the right for all its employees to belong or not to belong to a trade union.

## Eurotunnel drums up support within British industry

BY ANDREW TAYLOR

A CAMPAIGN to persuade British companies that they stood to benefit from the Channel Tunnel was launched yesterday by Eurotunnel, the Anglo-French tunnel consortium, which this summer plans to raise £750m in a crucial international share issue.

Eurotunnel recognises it needs to raise its profile after its struggle to raise £200m from international institutions in a share placing last October.

Failure to raise the £750m it needs this summer could jeopardise loan and standby credit agreements worth more than £50m with around 40 international banks.

The campaign launched yesterday by Eurotunnel and British Rail, which will be the tunnel's biggest customer, forms part of a concerted drive by the consortium to increase public enthusiasm for what will be one of the world's largest ever construction projects.

The survey has been devised partly to counter criticism that the tunnel will benefit south east England to the detriment of other less advantaged regions, such as the Midlands and the north of England.

According to Eurotunnel a number of west coast ports, including Clydebank and Merseyside, are already investigating ways of using

the tunnel to capture a greater share of North Atlantic traffic which at present uses Rotterdam as its main port of entry to the Continent.

About 1,500 British companies, including some of the largest exporters to the Continent will be asked to outline their transport needs after 1993 when the tunnel is due to open.

British Rail said yesterday that up to 70 per cent of goods from Britain using the tunnel would come from factories and warehouses outside of London and the south east of England.

## Firemen criticise tunnel safety

BY NEIL BERNETT

LEADERS of Britain's firemen yesterday gave a warning that the proposed Channel tunnel could become the "longest crematorium in the world." They attacked the Government for trying to rush plans through and claimed that the tunnel consortium's last consideration had been its safety.

Mr Ken Cameron, general secretary of the Fire Brigades Union,

said the union had serious doubts about the safety of people who would travel through the tunnel and the fire crews who would deal with any accident. A large loss of life in a train fire was a distinct possibility, he said.

Mr Robert Blackburn, former chief fire officer of West Sussex, attacked proposals to let passengers stay with their vehicles. "People

will ignore fire warnings," he said. Present plans allowed for a three feet gap between the cars and the sides of the carriages. This, said Mr Blackburn, would quickly become blocked by open car doors and people trying to escape from a fire.

Mr Blackburn suggested that vehicles should be carried in sealed carriages at the rear, while passengers sat at the front of the train.

## US, British brokers offer joint service

BY HUGO DIXON

LAURENCE KEEN, the UK stockbroker, and Pershing, the US stockbroker, have created a new company, Pershing Keen, which is said to be the first broker offering an equities clearing and settlement service in both countries.

The move towards an international clearing service is a consequence of the globalisation in securities markets. It is also a response to increased competition in Britain's financial services industry following last year's Big Bang deregulation of the City of London, which has made it more attractive for brokers to contract out their back-office work and so cut overheads.

Pershing, which has one of the largest clearing services operations in the US with 500 clients, is taking over Laurence Keen's small operation, which so far has only one client. The new company, Pershing Keen, has applied for membership of the London Stock Exchange and will open for business on February 7th.

Laurence Keen's own back-office team, with 90 employees, will transfer to the new firm and staff it. Keen's financial partner, Mr Christopher Langford, will be its managing director. It will, however, be a

wholly owned subsidiary of Pershing.

The exact financial arrangement, which has encouraged Laurence Keen to part with its embryonic business, has not been revealed but it is understood not to have received a lump-sum payment for doing so. Instead it will get a discount on its own use of the clearing services and some continuing interest in its profits.

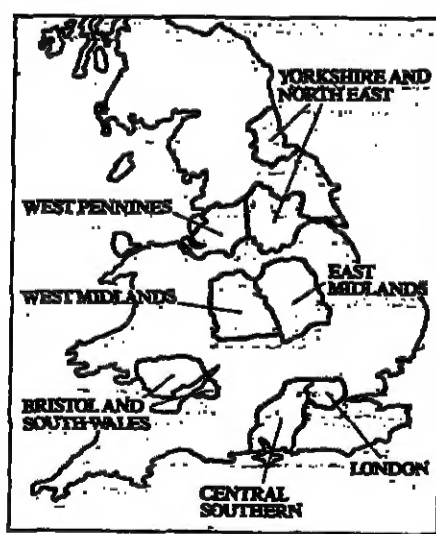
Mr Van Burger, chairman of Pershing, said he expected new stockbroking firms arriving in London, which did not want to set up their own back office, to use the service. His firm's US clients would also be able to use it.

The service might be expanded at a later stage to offer an equity transaction service, Mr Burger said. Pershing was also interested in offering clearing services in other stock markets around the world, although it had no definite plans.

So far the clearing services business has been slow to take off in Britain. Apart from Laurence Keen, there are only two other brokers offering them - Broker Services, a joint venture between Barclays Bank and NAW, and FICS, an offshoot of House Govett.

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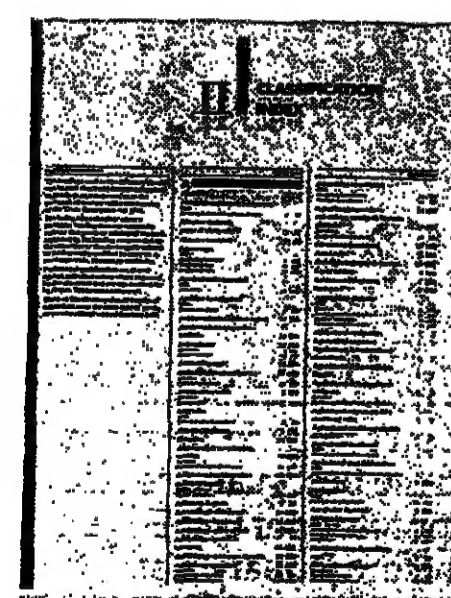
Here's a business directory that's a little novel. It actually works. Business Pages has been carefully designed to solve business problems, not create them. For example, when you know the name of a company, but not the address and telephone number, you'll find the information under alphabetical listings.



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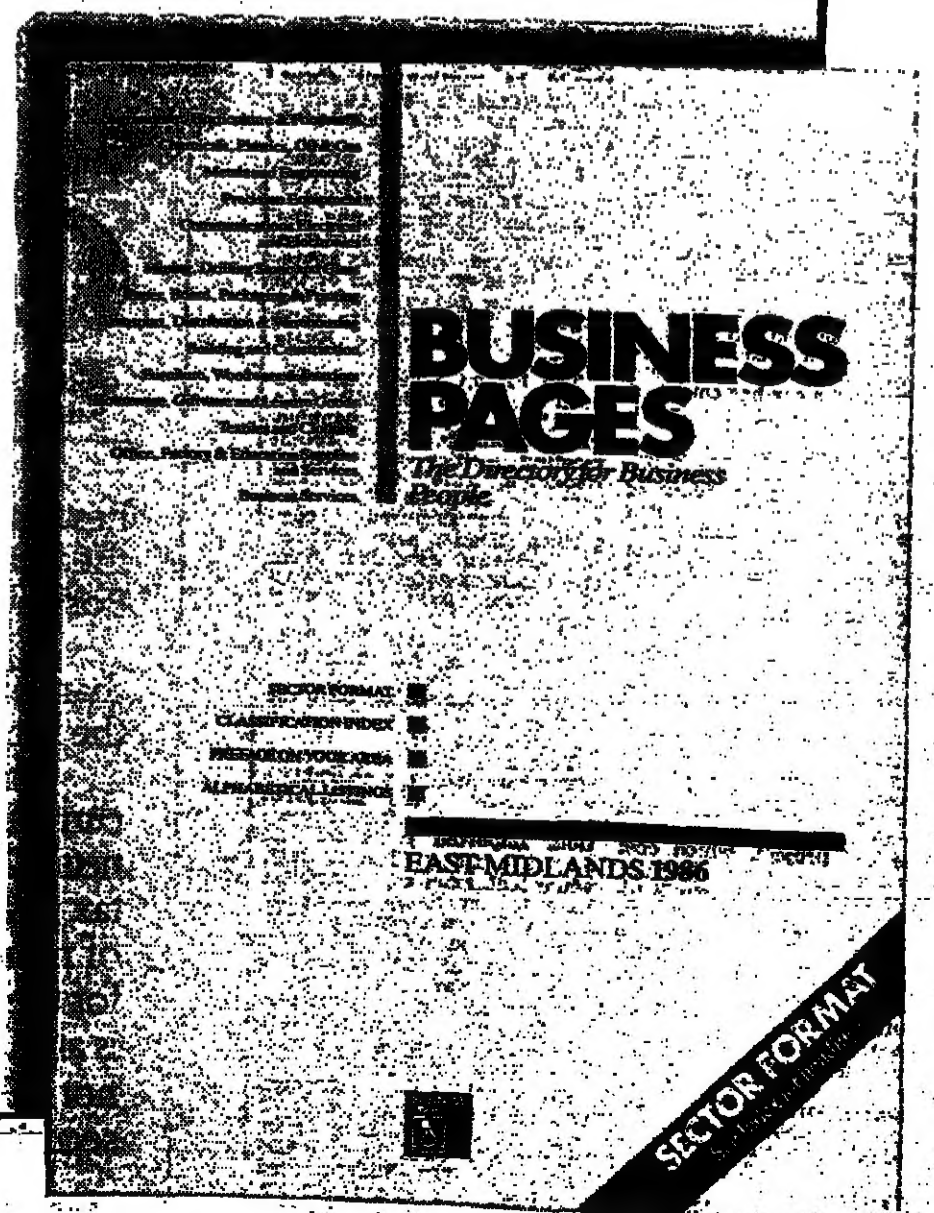
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Monday January 198

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BUSINESS  
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1988

Since the invention of the internal combustion engine, rust has been the motor car's No 1 enemy. And it was a problem Audi was determined to crack with the launch of the new Audi 80. Over the years, car manufacturers (and Audi in particular) have come up with a number of highly-effective ways of keeping the demon rust at bay.

But rust plays a very long game.

Given time, it seems rust will get its teeth through any painted-on protective layer. Then go on to eat into the metal itself (along with the resale value of your car).

Alone, but for the notable exception of Porsche, Audi invested the money and resources needed to find a radical solution.



As a result, the very sheet metal from which the new Audi 80 is built is zinc galvanised. To a thickness of 8 microns. And on both sides.

If a stone flies up from the road and hits this car hard enough to chip through the paint, something extraordinary happens.

The zinc 'bleeds' over the bare metal and, in effect, heals the wound.

Of course, if you read the motoring press, you'll know there's nothing rusty about the new Audi 80 from any point of view.

Its drag factor of Cd 0.29 is a world best for the class.

And the options list wouldn't disgrace a car twice the price: four-wheel-drive, ABS, fuel injection, leather interior, one-touch electric windows, electric door mirrors and sunroof, air-conditioning.

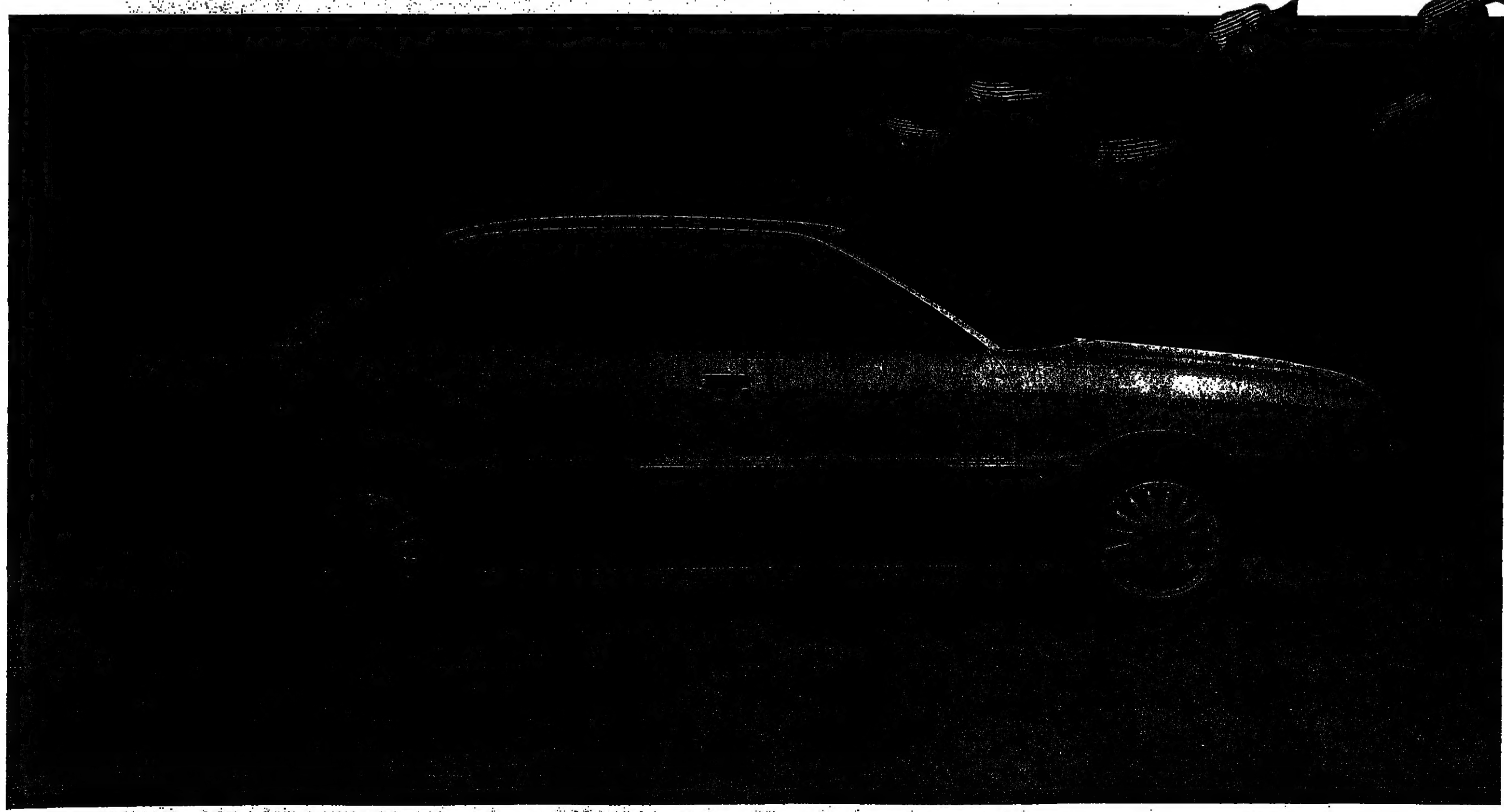
The new Audi 80 also offers one option not available on any other car in the world.

It's a safety system called Procon-Ten, invented by Audi, and it's designed to help you walk away from the head-on collision none of us likes to think about.

The new Audi 80: it makes other new cars look as if they have quite a few miles on the clock.

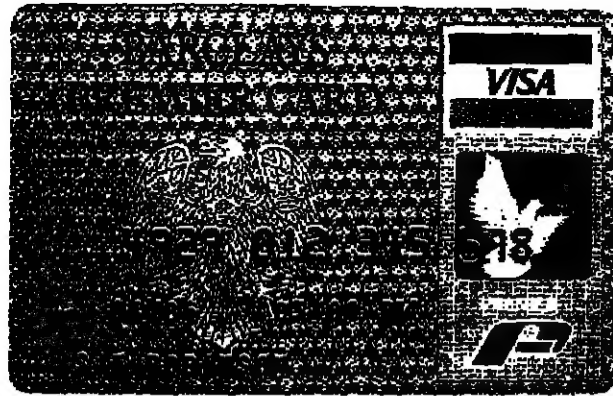
Rust: at last someone's  
stopped painting over the problem.

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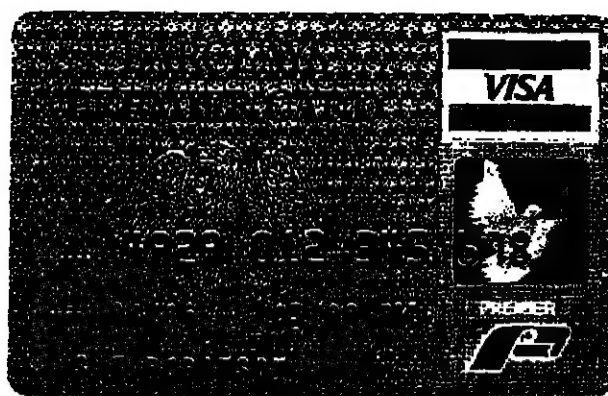




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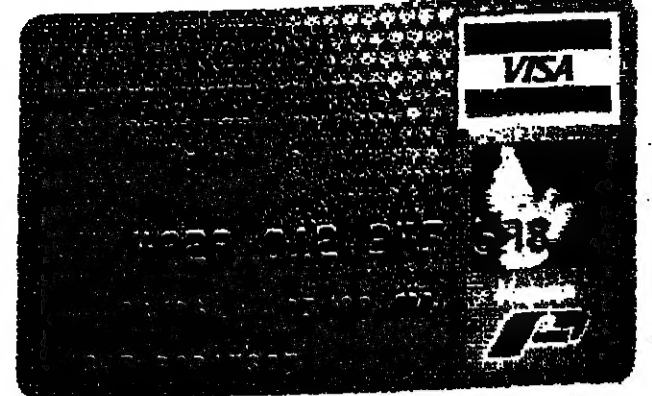
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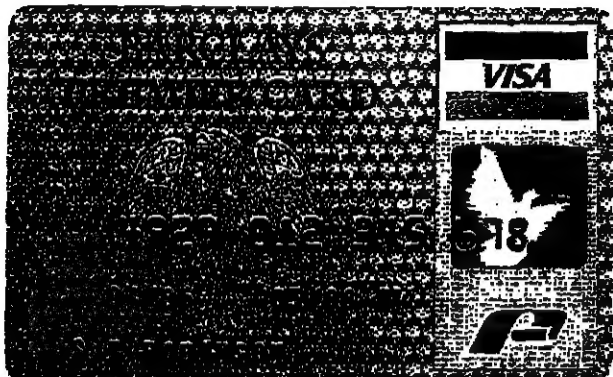
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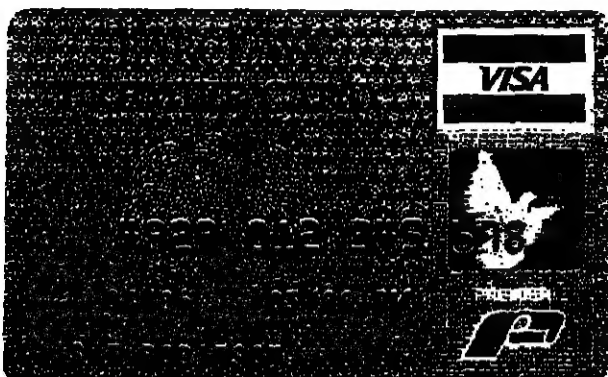
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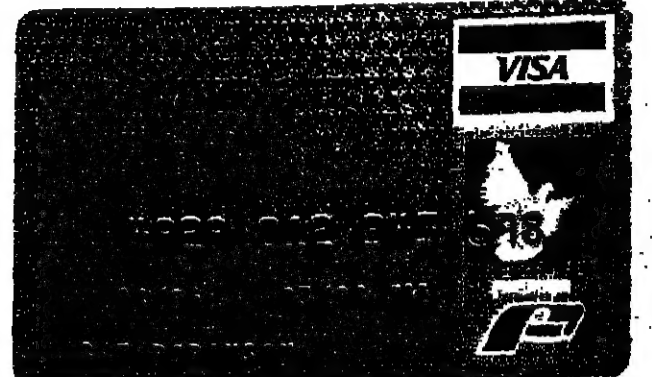
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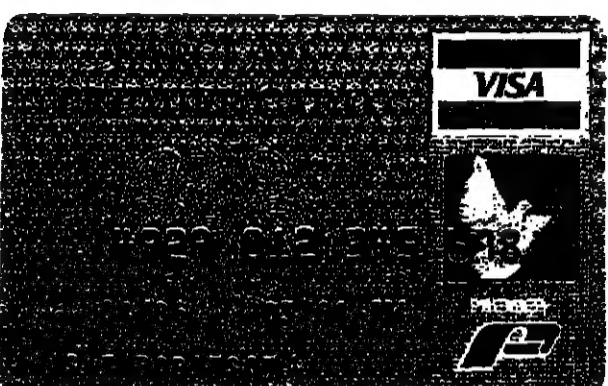
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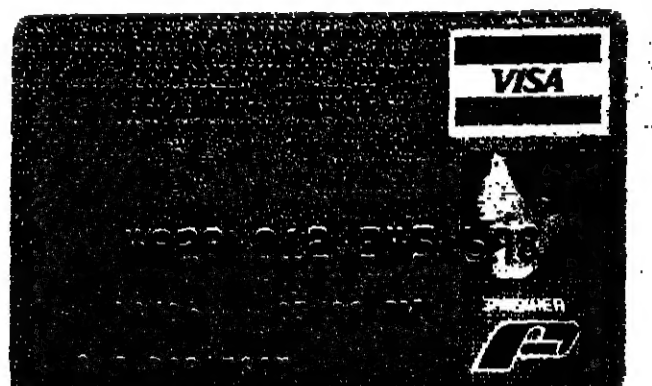
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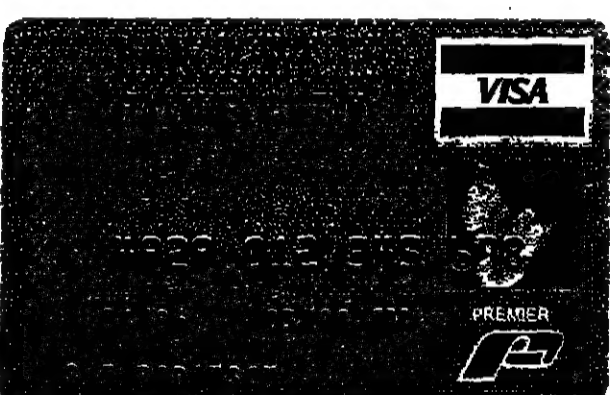
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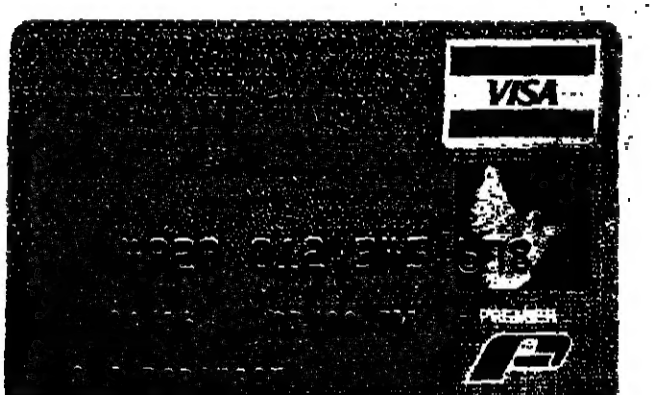
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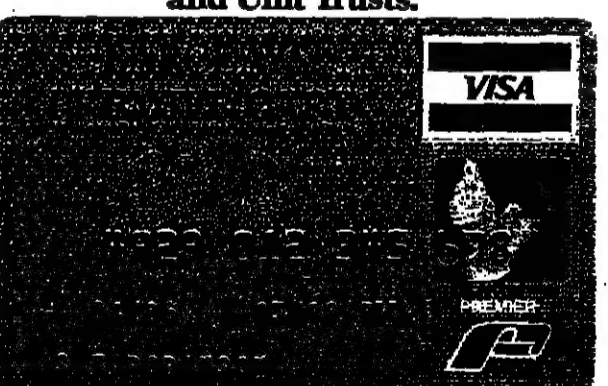
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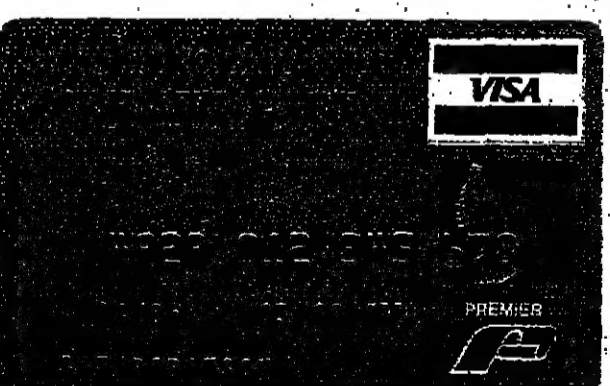
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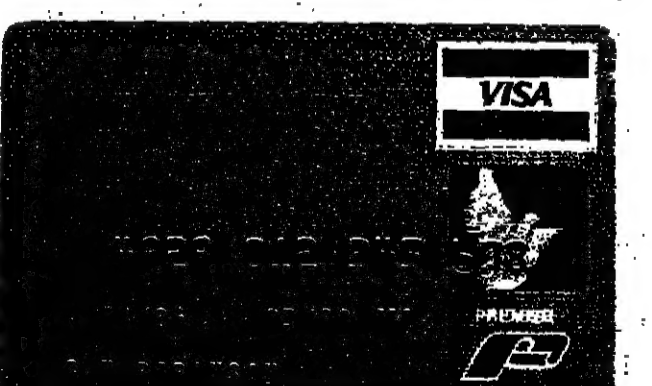
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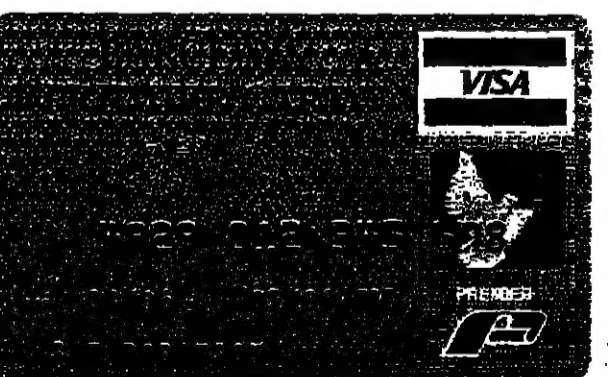
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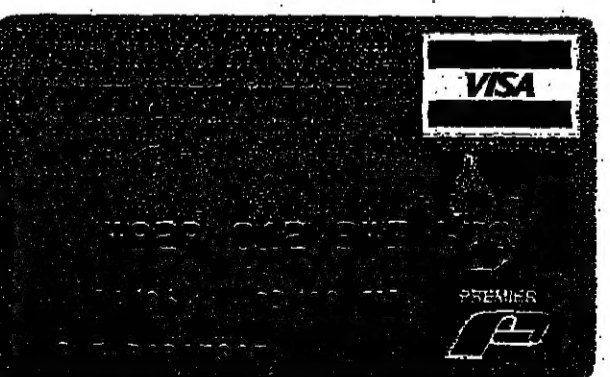
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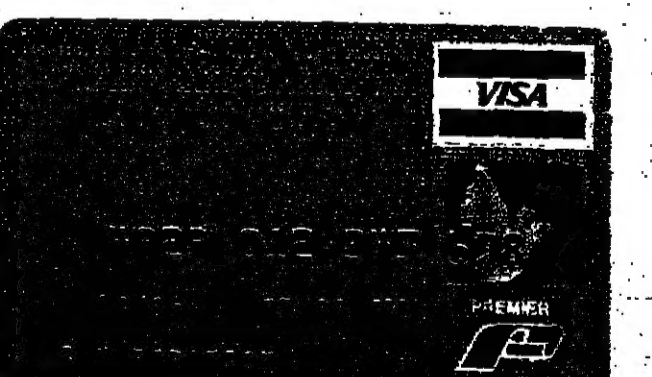
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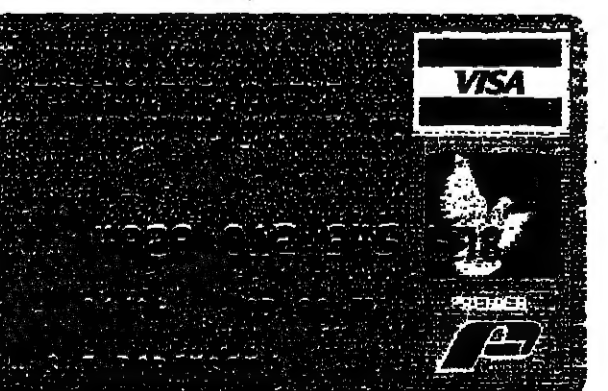
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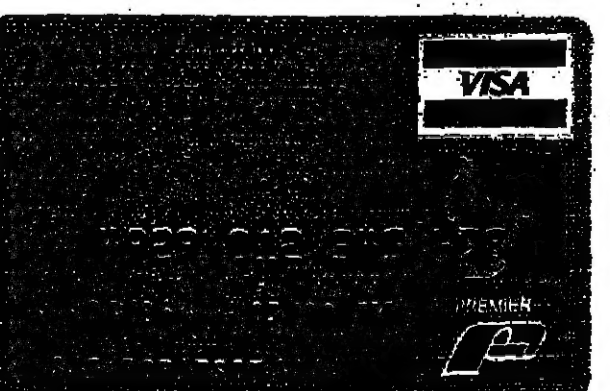
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## UK NEWS

## Hitachi to make microwave ovens at Welsh factory

BY ROBIN REEVES

HITACHI, the Japanese consumer products group, yesterday unveiled plans to diversify into the manufacture of microwave ovens for the European market at its UK factory in Hirwaun, South Wales.

It is to invest £7m to produce 180,000 units a year in a new 85,000 sq ft factory to be built by the Welsh Development Agency (WDA). Production will start next December.

The project is due eventually to create 200 new jobs at the Hirwaun site, which currently employs 850 workers to manufacture colour televisions, video recorders, and hi-fi equipment. The Welsh Office has backed the expansion with grant aid of more than £1m.

Mr Ted Kurose, managing director of Hitachi Consumer Products (UK), said that the Welsh site had been chosen after a thorough investigation of other potential locations in France and West Germany. The choice of Hirwaun was a tribute to the co-operation and assistance the company had received from the Welsh office, the WDA, and the local authority. He also praised the electrical trade union, the EEP-TU, which has a so-called "no-strike agreement" with the company for its co-operation.

The new facility will be Hitachi's first microwave oven manufacturing facility outside Japan. Some 80 per cent of components are due to be sourced in Europe.

The new investment represents a significant vote of confidence in Hitachi's Welsh operation. The company only acquired sole control of the site in 1984. Previously, it was run for five years as a joint venture with GEC, manufacturing colour televisions only.

Hitachi estimates the current European market for microwave ovens at about 2.5m units annually, of which 1.7m are sold in the UK and puts its share at 5 per cent. The new Welsh manufacturing unit, which is being built on a 4-acre plot, allowing scope for further expansion, will initially concentrate on five mainstream oven models.

Christopher Parkes writes: While the British market for microwave ovens has flattened after a spell of rapid growth, demand in continen-

tal Europe is rising by about 30 per cent a year, with sales strongest in France and West Germany.

Electrolux, the world's leading domestic appliance company, recently established a factory at Luton, Bedfordshire, mainly to supply ovens to its European subsidiaries.

Three-quarters of its output, expected to reach 250,000 a year in 1986, will be exported across the English Channel.

Britain was the first European country to adopt microwave cooking on any scale, and has since become a leading producer, with indigenous and Japanese manufacturers and importers competing strongly for market share.

As a result, the UK has developed manufacturing skills and a network of components suppliers, which are likely to attract other companies seeking to exploit the EEC market.

Growth of the UK industry will probably be further accelerated if European appliance makers succeed with their efforts to restrain imports from Japan. Late last year the European Commission in Brussels started an investigation - prompted by the French and other EEC manufacturers - of claims that the Japanese were dumping microwaves in the EEC.

The imposition of extra duties or quotas could prompt more Far Eastern suppliers to source their products in the European Community.

● An unemployment blackspot in the West Midlands is expected to receive a major jobs boost today from the giant Japanese electrical company NEC. Officials of Telford New Town in Shropshire have been negotiating with the company for a year, in the face of stiff European competition.

NEC is now expected to announce that Telford has been chosen for a factory to make television and video recorders on a 40-acre site. The factory should create around 1,000 jobs for the new town, which suffers higher than average unemployment.

It is understood the Government has pledged £7m in grant aid, and it is hoped that once the factory is established, hundreds more jobs will be created.

## City airline set to use Dash 7 aircraft

By Lynton McClain

EUROCITY EXPRESS, the airline formed by the British Midland Airways group to operate from the proposed London City Airport 20 minutes east of the City, is to acquire up to five 50-seat de Havilland Dash 7 short take-off and landing (STOL) aircraft for use from the airport.

Euroworld Express is also considering buying the 90-seat British Aerospace 146-300 four-jet aircraft, although jet aircraft are not permitted at the moment to operate from the City airport.

One of the problems is that the Government is planning a new bridge across the River Thames, the proposed East London river crossing near the airport site. British Midland has taken advice from civil engineering consultants and has produced a revised bridge scheme that could enable the BAe 146 to operate, providing noise regulations were not infringed.

The airline, formed in October, has signed a contract with the manufacturer for the delivery of four Dash 7s this year. Mr Michael Bishop, the chairman of the British Midland group, said yesterday that the airlines would be acquired on operating leases. Talks with de Havilland for a fifth aircraft are underway.

Euroworld Express will take delivery of its first Dash 7 from the Canadian de Havilland company, now part of Boeing, in March. This will be close to the time the Civil Aviation Authority opens its public hearings on March 10, 11 and 13, in competing bids from three airlines wanting to start services from the London City airport.

The airport in the disused Royal Docks in the east end of London is to open for commercial operations in the summer this year.

Euroworld Express's first Dash 7 will be used first by Loganair, the Scottish subsidiary of British Midland, on regular scheduled services between Belfast Harbour Airport and Manchester.

Euroworld Express has applied initially for services to Paris, Amsterdam, Brussels, Rotterdam, Düsseldorf, Manchester, Jersey and Guernsey.

## Union talks delay launch of 24-hour London newspaper

BY RAYMOND SNODDY

THE LAUNCH of the London Daily News, the new 24-hour newspaper, has been postponed for two weeks until February 24. It is the second postponement for Mr Robert Maxwell's new rival to the London Evening Standard which was originally scheduled to appear in mid-November.

Mr Maxwell, publisher of Mirror Group Newspapers, told the Daily News staff of the postponement yesterday afternoon. He blamed the delay on talks with the National Graphical Association (NGA), the printing union, which had "taken longer than was necessary and regrettably were only completed today."

The talks involved the number of surplus NGA workers from the Daily Mirror who were to be employed on the Daily News, a newspaper using the latest electronic technology.

Between 40 and 50 NGA members are to be employed on the paper pasting up editorial and advertising copy produced by electronic means. A three-week period of training is needed for the staff involved.

Mr Maxwell told staff yesterday that editorially the paper was ready to go but that as publisher he had taken the decision to postpone to ensure that the production department would be ready. Production of dummy newspapers will go ahead on schedule and the first will be produced this morning.

Early in February nearly 2m free copies of the London Daily News are to be distributed to homes throughout the London area to let as many people as possible see the new newspaper and to gauge reactions.

Mr Magnus Linklater, editor of the London Daily News, said yesterday that there would be a phased introduction of dummy papers. From next week regular dummies would be produced each day and, as happened prior to the launch of The Independent, the five satellite printing plants the paper will use would be tried out in turn.

The paper is to be printed, Mr Linklater says, on the new Daily Telegraph presses on the Isle of Dogs in London's Docklands, at Poyle near Heathrow, Edenbridge in Kent, Chesham in Buckinghamshire and at Walthamstow, in north-east London.

Since the project was conceived the number of journalists on the paper and with it the cost of the project has risen following the decision to go to a 24-hour paper.

In September Mr Maxwell said there would be little change out of China. It is believed this figure has now risen to £25m.

Scottish Economic Bulletin number 34, December 1986. HMSO £7.

The bulletin says that there

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## Parties set to observe poll stars at Greenwich

PARLIAMENTARY by-elections rarely achieve the potential significance bestowed upon them by observers of the political firmament. But the forthcoming contest at Greenwich, which for nearly 300 years was the home of the Royal Observatory, could offer Britain's political parties a decisive glimpse of what the stars have in store for them.

The by-election, in south-east London's historic, riverside borough, is expected to be held in late February or in early March. It follows the death of Mr Guy Barnett, the sitting Labour MP, and the outcome might help determine the timing of a general election which is now widely expected this year.

Mr Barnett's 1983 majority over the Conservatives was 1,211, with the Social Democratic Party candidate in third place, taking a respectable 25 per cent share of the votes cast. Greenwich therefore represents an inner-city, marginal seat which all three parties feel they can win and which will provide them with a well-timed, if tragically created, opportunity to test their wider electoral strength.

For the Labour Party, Greenwich is a seat which it must retain in order to remain credible as the party of alternative government. An inner-city constituency graced with the legacies of great architects such as Wren and Hawksmoor, its landscape is now blighted with run-down housing estates and the local economy shoulders an unemployment rate of over 12 per cent.

The electorate has been traditionally faithful to Labour even although the margin of support was drastically reduced in 1983.

The first indication of how the political tide is running emerged last weekend in an Observer/Harris Poll which gave Labour - yet to choose its candidate - an overwhelming lead over the Conservatives, attracting 60 per cent support against 25 per cent for the Tories. The SDP/Liberal alliance was in third place with 15 per cent.

The figures will clearly prove immensely encouraging to Labour, but the contest, which will be hard-fought, has not yet even begun. When it gets underway, poor housing and unemployment will rank high among local campaign issues.

Large numbers of constituents live on ageing council estates, many of which became the direct responsibility of Greenwich when the Greater London Council was abol-

ished. They now require expensive and urgent improvement, which the council claims are impossible because of government cuts.

The decline of local manufacturing in a borough which once sustained a wide range of Thameside industries will also figure in the campaign. Most recently, the council has been fighting to prevent the proposed closure of the local Ford Motor Company parts plant, which employs about 300 people and which is regarded as the last local manufacturing plant of any significance.

The council has been at the forefront of the political campaign against government ratecapping measures designed to restrict high-spending local authorities. It has mounted a High Court challenge to the Department of the Environment's rate-capping policy and to the legality of the department's proposal - arising from recently-admitted errors in cash distribution - to cut £3.8m from the council's rate support grant. Rates are local property taxes, which are supplemented by central government.

There will inevitably be attempts by Labour's opponents to place high-spending Greenwich in the same "Loony Left" mould as other left-wing dominated councils, which the Conservatives in particular intend to make a national election issue.

But the task is unlikely to be as easy as in some of London's more obviously extremist, Labour-controlled boroughs. In last year's local elections Labour increased its representation, taking 44 seats, with 12 going to the Tories and six to the Alliance.

Critical to Labour's chances of rebutting any accusations of extremism - and of winning the seat - will be the selection of a candidate and Labour's national leadership has already formally expressed its support for the need to pick a candidate with the widest possible appeal.

With Labour wanting a quick contest, the choice is expected to be made on January 31, leaving around one month for the campaign. The precise date will be fixed after consultation with the Liberal parliamentary managers, aimed at holding the poll on the same day as the by-election, in Truro, Cornwall, caused by the death in a road crash of the sitting Liberal MP, Mr David Penhaligon.

Among the hopefuls for Labour nomination are Mr Richard Balle, the Euro-MP, Ms Deirdre Wood, a hard-left member of the Inner London Education Authority and Ms Glenys Thornton, political secretary of the Royal Arsenal Co-Operative Society.

The constituency's close proximity to Westminster and the high stakes involved mean that Labour intends to swamp Greenwich with a succession of leading spokesmen and women. Anything less than a comfortable win for a party which, in order to win power, will have to capture large numbers of new seats rather than merely consolidate its hold on existing ones, will be potentially disastrous.

Both Conservatives and SDP will also be counting on support from the growing number of middle-class voters, many of them with jobs nearby in the City of London, who are moving into the borough and who have helped push up the local level of owner occupation from just over 30 per cent in 1983 to an estimated 45 per cent.

An unlikely Conservative victory could prove instrumental in encouraging Mrs Margaret Thatcher, the Prime Minister - uncharacteristically hesitant when it comes to pushing the election button - to go for an earlier, rather than a later national poll. The margin of any Labour win will also be carefully analysed.

The SDP, which is desperate for hard, electoral evidence that the fortunes of the Alliance are again on the upturn, is hoping that disenchantment with the local Labour administration and with the Tory government nationally could enable it to win another famous victory.

The odds in what will be an intensely fought campaign remain firmly in Labour's favour. Whatever the outcome, the voters of Greenwich could be helping to decide much more than the identity of an MP destined to be one of the present parliament's shortest-serving members.

1983 Results: N. G. Barnett (Lab) 13,381; A. Rolfe (Con) 12,156; T. Ford (SDP) 8,783.

## Scottish growth 'will lag behind the rest of UK'

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE Government expects Scotland to have slower economic growth than the rest of the UK this year. It bases its forecast not just on the downturn in North Sea oil development activity, but on the mixed prospects for the rest of manufacturing industry.

In the latest issue of the Scottish Economic Bulletin, the Scottish Office says that the beneficial impact of low oil prices on cost competitiveness and the recent decline in sterling are unlikely to be enough to offset the adverse effects of low oil prices on North Sea development activity.

The bulletin says that there

should be "some limited output growth" in manufacturing, but at a lower rate than the rest of the UK. Most of the growth is likely to occur in high-technology sectors such as electronics, chemicals and aerospace. Traditional sectors such as textiles and clothing, food and timber processing will have more modest growth, the bulletin says.

Other industries such as steel, shipbuilding and other metal-using industries such as vehicle manufacture are not expected to grow.

Scottish Economic Bulletin number 34, December 1986. HMSO £7.

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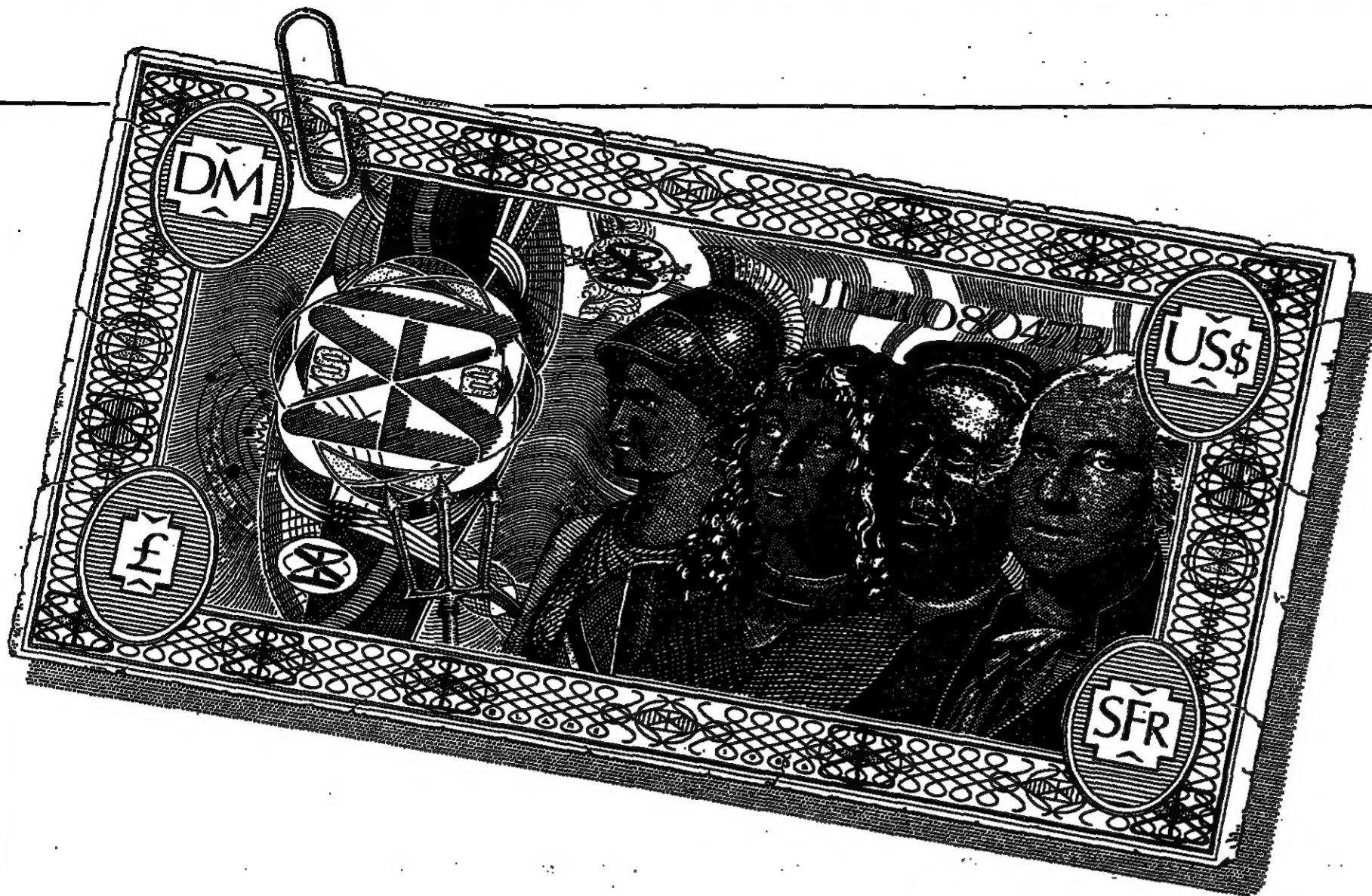
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## UK NEWS

### Ford urges rethink on reform of component licences

BY JOHN GRIFFITHS

FORD, whose policies towards the vehicle replacement body panels market were held by a Monopolies and Mergers Commission report to be against consumers' interests, is calling for changes to the Government's white paper (policy document) on copyright and other intellectual property rights reforms.

The company supports most of the white paper's proposals, but it has serious reservations about those which would require vehicle makers to grant body panel copying licences, as a matter of right, to independent companies, according to Mr Derek Dawes, director of Ford's parts sales.

Ford has similar reservations about proposals affecting the copying by independent companies of functional parts, such as clutches and brakes, said Mr Dawes.

Ford triggered an inquiry into the estimated £1.5m-a-year UK replacement vehicle parts market, first by the Office of Fair Trading, then by the Monopolies Commission when it decided several years ago to sue about 12 companies making or supplying unauthorised body panels to fit Ford cars.

It did so because it believed copyright and design registration protected its body panels from unauthorised copying for 15 years. It also refused to grant licences on the grounds that Ford needed 15 years' protection from copying in order to cover its investment.

A 200-page Commission report concluded that Ford was within its

legal rights both to sue and refuse licences - but added that the consumer was disadvantaged and that the law should be changed to allow more competition by reducing intellectual property rights protection periods.

In the meantime, it said, Ford should undertake voluntarily to grant licences after a reduced period of time.

Ford has now given such an undertaking to the Office of Fair Trading. This is despite the fact that a House of Lords decision last year in a case between BL and component maker Armstrong effectively removed copyright protection from functional replacement parts, and that the intended reforms make the undertaking "inappropriate and obsolete," said Mr Dawes.

Ford's undertaking is to grant licences at a royalty of 2 per cent after seven years, instead of 15.

"We made it clear to the Government that seven years was not long enough, in our view, to recover our investment costs," Mr Dawes said. Nevertheless, he claimed, Ford's action opened up 70 per cent of yearly Ford body panel business to the independents.

The white paper proposal is for a 10-year "protection" period for "stylish" parts, embracing body panels, but with licences of right to be available after five years. But apart from 10 years of full protection being "the absolute minimum" Ford needed to recover its investment costs, said Mr Dawes.

### Laboratory cultivates taste for dates

BY DAVID FISHLICK, SCIENCE EDITOR

ORDERS FOR more than 15,000 date palm seedlings worth about £25 each have been won by a laboratory in Somerset, in the west of England. Their destinations are countries where the date is a staple of diet.

Twylford Plant Laboratories, near Glastonbury, a biotechnology research company specialising in plant tissue culture, believes it has perfected a technique for culturing "elite" lines of date. These lines have the flavour and crispness specially prized where date is a staple, particularly in the Middle East. Twylford estimates the world inventory of date palms at about 100m, of which 5 to 8 per cent must be renewed annually because of age and disease. This represents a market worth more than £50m, the company says.

But its pioneering activities in commercial propagation of robust seedlings, hardy enough to travel, have kindled wider interest among hot, dry countries which previously have not cultivated dates.

The seedlings are cultivated by micro-propagation, starting with a shoot tip from a healthy palm, which Twylford incubates in a tightly controlled laboratory environment, free from risk of infection. Further developments of micro-propagation could raise the value of seedlings substantially, by tailoring the fruit more

closely to local demand. Twylford, started by Guinness, the drinks group, but owned by US venture capital companies since 1981, claims to be the biggest tissue culture laboratory in the world. Dr Ziad Barazi, managing director of Date Palm Developments, its subsidiary specialising in this market, said its main orders had come from Kuwait (10,000 seedlings), the United Arab Emirates and Oman.

He plans to ship several thousand seedlings next month and also has trials proceeding on seedlings sent to Australia, Brazil, Iran and Spain this year. In Abu Dhabi, where the company sent a few seedlings as long ago as 1983, the palms now stand over 7ft tall.

The company is talking to Cyprus, the Gulf States, Saudi Arabia and Turkey about the possibilities of transferring Twylford technology and management skills from Somerset to new plant tissue culture centres, as joint ventures with local interests.

Dr Barazi says technology transfer could ease the chief commercial restraint on his company, namely its production capacity. But date tissue culture is tricky, requiring both experience and laboratory support.

He says Twylford can expand production in the next two years to about 100,000 seedlings a year.

### Scots electronics group wins Vancouver listing

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

A SCOTTISH electronics company which began production only in October has obtained a listing on the Vancouver Stock Exchange.

Glenphase International, whose Scottish-registered subsidiary Glenphase manufactures electronic equipment for use with electric motors, last week issued 1m shares on the Vancouver market at a par value of C\$1.25 (62p) each.

The company chose Vancouver because it specialises in venture capital issues and its placement was fully subscribed. Glenphase is believed to be the first Scottish

company to be listed in Vancouver. Glenphase makes a device named Glenphase, which can alternate a three-phase electrical supply and a single-phase one. Other products enable users to avoid a surge of power when starting up electric motors and provide variable control of electric motor speeds.

With a small plant at Livingston, West Lothian, units made by Glenphase should prove attractive to businesses such as farms that are unable to use many types of electric motor because their power supply is wrongly phased.

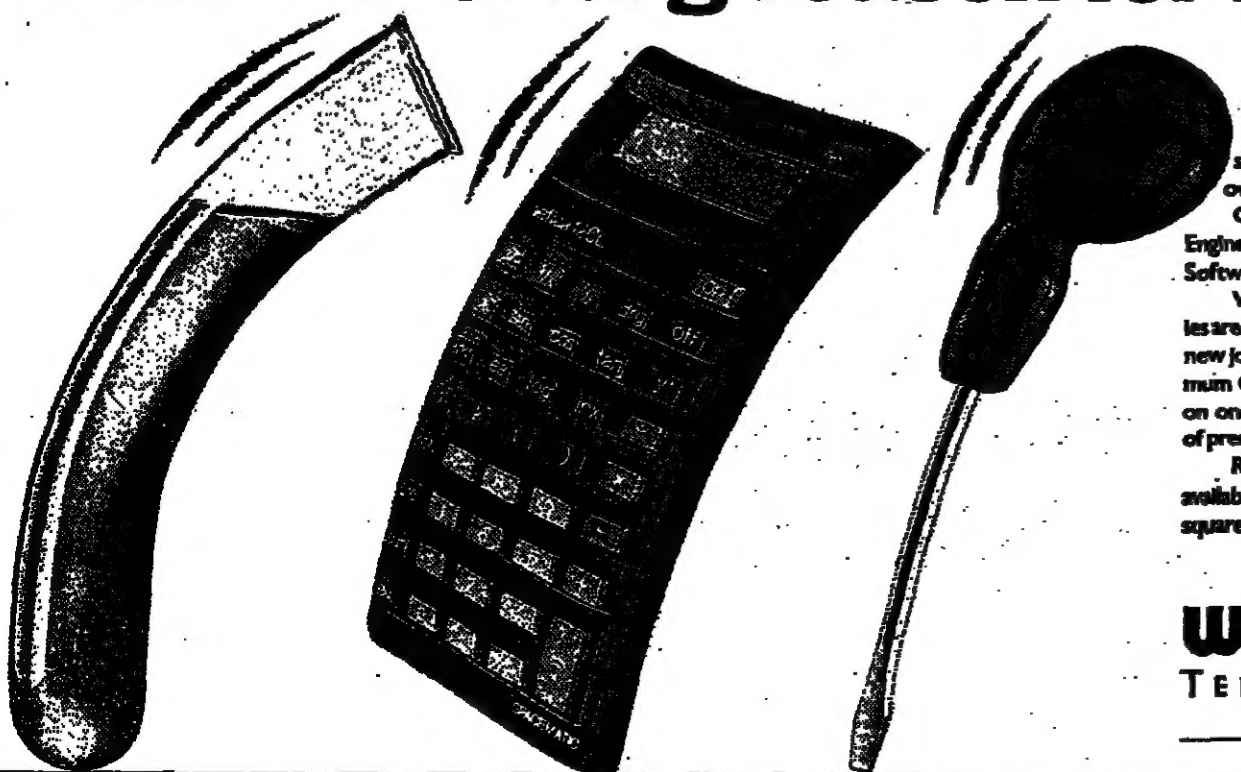
### International Futures & Options

It is proposed to publish a special Survey on "International Futures and Options" on Wednesday, March 18, 1987.

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This dinosaur with its youthful admirer was part of an exhibition at London's Natural History Museum

## No business like industrial theatre

AN ELEMENT of show business is being used increasingly in staging conferences and exhibitions and the demand for back up services specialising in the presentation of audio-visual, laser and sound stagings is providing a lucrative market for many companies.

The dinosaur in the picture was borrowed from Spitting Image and the model was made to move, wink and blink by animatronics, a technology comparatively new in the UK. The work was carried out by Kimpton Walker, a theatre, film and TV scenery company which constructed stage sets for shows such as Time, Cats and Starlight Express.

Some of the sophisticated high-tech resources now available are a far cry from the days when big exhibitions like the motor show or boat show relied on a few scantily-clad showgirls for the launch of a new product.

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Even before the hotel's completion, the Scottish Exhibition + Conference Centre was voted by the readers of Conferences & Exhibitions International as the best exhibition centre in the world, as well as being widely recognised as the most flexible and technically advanced exhibition and conference venue in the UK.

For further information about the SECC and the new Forum Hotel, write to Bob Saunders, Scottish Exhibition + Conference Centre, Glasgow G3 7JN. Telephone 041-248 3000. Or telex 778086.

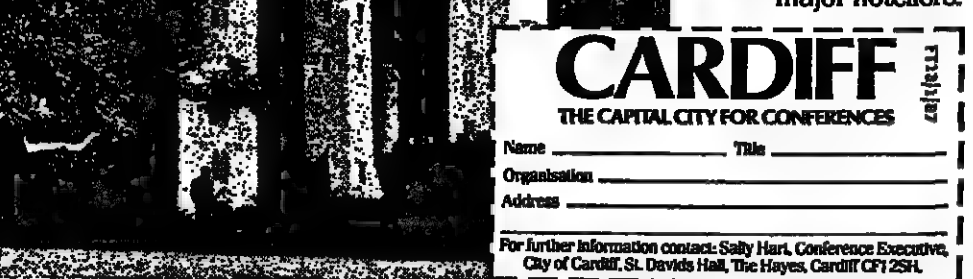


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## UK Conferences and Exhibitions 2

### In the Regions

## More towns jump on the bandwagon

ACCORDING TO Mr Lloyd Maclean, director of the British Association of Conference Towns, every town likes to be a conference town and an increasing number are jumping on the bandwagon. It is an accepted fact that a number of centres do not make money, they lose it. They are seen by local authorities as a way of attracting business and tourism.

Nevertheless, Mr David Chance, manager of the new Cambridge Corn Exchange, which opened last month, has vowed to break even by the end of 1990. He foresees no difficulty in attracting custom to Cambridge, in his view, is unique and has no direct competitors.

The Corn Exchange, a robust Victorian building right in the middle of Cambridge has been refurbished to the tune of £2m. It attracted the largest House of the Arts grant from the Arts Council — £250,000 — and £100,000 from the English Tourist Board for its potential for conferences.

The building's main hall provides seating for 1,450. This attracts to make way for over 4,000 square feet of exhibition space.

A proposal for a covered way from the Corn Exchange to the university's museum site is under discussion. This would give quick access to a range of further rooms and lecture halls. Any development in Cambridge is to have links with the university but the City Council envisages a wide span of users — not purely academics. The new high tech industries on the perimeters of the city could well generate business.

Universities keen to put their facilities to good use, represent excellent value for those looking to forge some of the polish of purpose-built conference and exhibition centres. Manchester University, for example, will provide a hall, seating 800 for £225 for an eight hour day. For comparison, the Cambridge Corn Exchange's main hall costs £800.

Moving to the other end of the scale, the privately-owned and classy Angkor conference centre on the edge of Windsor Great Park charges £2,175 a day for its Great Hall which seats a maximum of 800 people and is equipped with the latest audio visual technology.

Undoubtedly, the best-known regional conference and exhibition centre, with the exception of the NEC, is the NEC, Birmingham, is ranged along the south coast — Eastbourne, Brighton, Bournemouth. They boast good hotels, pleasant surroundings, sea air and an easy journey from London. All are under one and a half hours by rail.

A new contender is the English Riviera Centre in Torquay, which will open in May. ERIC, as it cheerfully insists, is a joint venture between GMC and Commercial Union Properties, backed by grants by the Government and the ERIC.

Apart from the obvious appeal of elegant pink and white brickwork, wrought iron curlicues and the original station clock, G-MEX offers a substantial exhibition space in the heart of the city. The Central Hall is 7,755 square metres and the Trafford Hall 2,800 square metres.

G-MEX has not been designed specifically as a conference centre but could, say its promoters, comfortably seat 3,000. More modest meetings — perhaps associated with an exhibition — can be staged in the nearby Free Trade Hall which is itself due to be extended. The famous Midland Hotel, recently refurbished, stands 50 yards from the entrance to G-MEX. There are 1,000 hotel beds in the city and 2,400 within four miles.

The Scottish Exhibition and Conference Centre, which opened in August 1985, is part of a drive to generate business energy into Glasgow. The development of the derelict Queen's Dock into a 64-acre complex of five inter-linked halls represented a £36m investment, split three ways

between regional councils, the Scottish Development Agency and the private sector.

The SECC's main hall will seat up to 2,000 people. The five halls together provide 19,000 square metres of exhibition space, with a further 2,000 square metres in the open air. On-site banking, car hire, travel and accommodation bureaux and shopping make up the infrastructure essential to a centre of international proportions.

Bookings have been taken for conferences of 1,750 delegates. A business consortium, led by Sir David Roche, is planning to construct a luxury 300-bed hotel on the site, due to be open by 1989. It will be operated by Forum Hotels International.

Edinburgh too has plans. Its multi-million pound conference centre, again funded three ways by regional authorities, the SDA and private enterprise, is scheduled to open in 1990. The programme is now in its second phase with a shortlist of three developers, drawing up detailed plans on the basis of a main hall seating 1,200 and additional halls for 600, 300 and 200 people.

The building will make use of an empty site beneath the castle and make up the fourth side of Festival Square. Edinburgh City Council sees the centre attracting overseas clients, particularly from the US now that US tax regulations allow the costs of offshore conferences as tax deductible expenses.

Birmingham's £120m planned City Centre Conference Complex is due to open by 1991. It will have a maximum conference capacity of 3,500 but its predominant use will be for meetings of about 1,000.

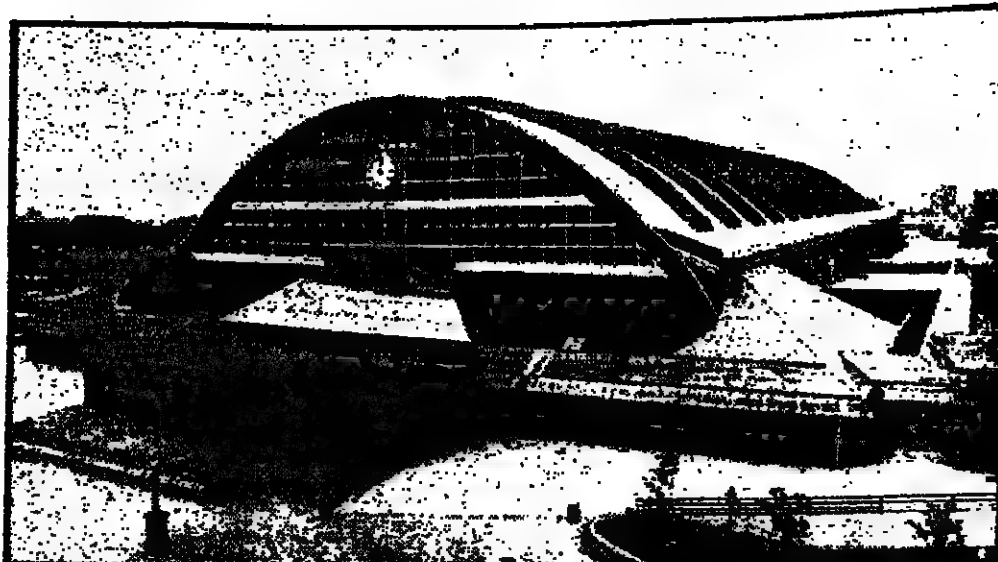
Other important facilities developed over recent years include the St David's Centre in Cardiff.

Among the smaller venues, Aberdeen Exhibition and Conference Centre which opened a month after the SECC, has obvious links with Scotland's offshore industries but is run as a multi-purpose centre. Its focal point is a glass prism-shaped Trade Centre housing the reception area and seminar suite. This connects to two halls, providing 5,000 and 1,500 square metres of exhibition space.

Two separate conference halls have raked seating for 300 people and level seating for 150. The present buildings represent the first stage of a continuing programme. An office block is due to be built the next phase, followed by a hotel making a compact, self-sufficient complex.

Better communication networks are making venues, located well away from large cities increasingly attractive. Folkestone's Leas Cliff Hall has recently benefited from £2m of refurbishment and there are 2,500 hotel beds within walking distance. Determined not to be bettered by grander competitors, Sheppey District Council's promotional brochure entices potential clients with the information that the Duke of Wellington held a meeting at Folkestone — to plan his defence against the Napoleonic invasion. But it modestly refrains from pointing out that that particular conference proved a splendid success.

Alexandra Buxton



Manchester's defunct Central station was given a new life as the Greater Manchester Exhibition Centre

### London and the NEC

## Reassessing the future

LONDON SAW a number of new developments last year, prompted partly by international competition and partly by the success of the National Exhibition Centre in Birmingham. Much still needs to be done in catering, car-parking and the overall treatment of visitors, but progress is under-way.

The highlight was the opening of the Queen Elizabeth II (QE2) conference centre in Westminster. The £44m government development suffers none of the disadvantages of its older competitors where facilities, in some cases decades old, are deteriorating and where exhibition space has often been expanded in a haphazard fashion, resulting in a maze-like complexity.

Flexibility was the keynote in the design of the QE2, says the management, and the result is a building with accommodation varying in size from the 1,300 seater main hall to smaller "break-out" rooms. This complements the trend in the industry away from vast shows to more specialist events.

As Malcolm Small of the QEC Marketing Department says: "All indications are that conferences are tending to be smaller and the QE2 is ideally placed to meet the demand."

The formula of offering the best of British — British works of art and crafts, stylish textiles and carpets, food by Leiths and a prime location overlooking Westminster Abbey is working. Business is being booked into the 1990s, the greater proportion coming from private companies rather than government sponsored events. The one snag is the ubiquitous security which makes access for even the ordinary visitor akin to boarding an El Al plane.

At Eeris Court & Olympia, the wholly owned subsidiary of P & O, plans to build a £30m exhibition hall (due for completion in 1990) were unveiled. Next September a purpose-built conference centre in Olympia 2 will open. John Glasfield, Olympia's commercial director, says that many companies and it hard to make the quantum leap from a banquetting suite to a major venue and Olympia 2 provides the stepping stone.

With one in three of Olympia's exhibitions staging a parallel conference, there is a growing market for such flexible usage options.

Like other venue directors, John Glasfield is acutely aware of a more demanding clientele whose requirements for events such as product launches are increasingly sophisticated. "They are looking for plushier, more theatrical venues," he says.

Wembley has also joined the move towards a more upmarket image. On January 24, it opens its new £31m building. David Griffiths, Wembley General Manager, claims the "Grand Hall" brings exhibitions "out of the concrete sheds of the past into the comfort of the 20th century." He admits that Wembley was inspired to expand by the success of the



Exterior of the 511m Business Design Centre, Islington

NEC and says they have aimed to create the ambience of a West End theatre to provide a suitable venue for events ranging from concerts to specialist conferences.

In the City, adjacent to a real theatre, the Barbican Centre is making adjustments of its own. During the 1985-86 financial year, the number of events attracting fewer than 250 delegates rose by 22 per cent over bookings for 1983-84. Much of this small meetings business is a spin off from Big Bang. The centre has also seen a decline in hi-tech conferences which are being overtaken by gatherings of professional people such as lawyers and architects.

In North London, phoenix-like out of the ashes of the old Alexandra Palace, a £35m conference and exhibition centre scheduled to open in January 1988, is emerging. Louis Bizat, general manager, took the opportunity of starting from scratch to build a long-term marketing view. "We realised when we first looked at the exhibition business that the large centres are a thing of the past: the future is in smaller exhibitions with more flexible space. We redesigned the Palace accordingly," he says.

Despite a potential location problem in the further reaches of North London, Ally Pally is braced for success with 1988 already fully booked and 1989 and 1990 on the way to selling out.

The new dynamism abroad in the London venues is reflected in the formation of the London Exhibition Venues Association (LEVA). The group, composed of six major venues, was formed to discuss common difficulties and to attract international visitors to the capital. To date they have produced a 1987 calendar of London conferences which is being promoted through the British Tourist Authority, British Airways and major hotels.

While London has been improving to catch up, the NEC has not stood still. Bouncing back from the disappointment of losing the Olympic Games to Barcelona, the UK's largest

venue has plans to double its size. By January 1989 20 per cent of that target will have been achieved. The £35m investment is a response that will enable it to stay competitive with its European counterparts.

For many exhibition organisers the NEC remains a paradigm of what London should be aiming for: excellent support facilities, high-quality fittings and service.

Allison Lobbett

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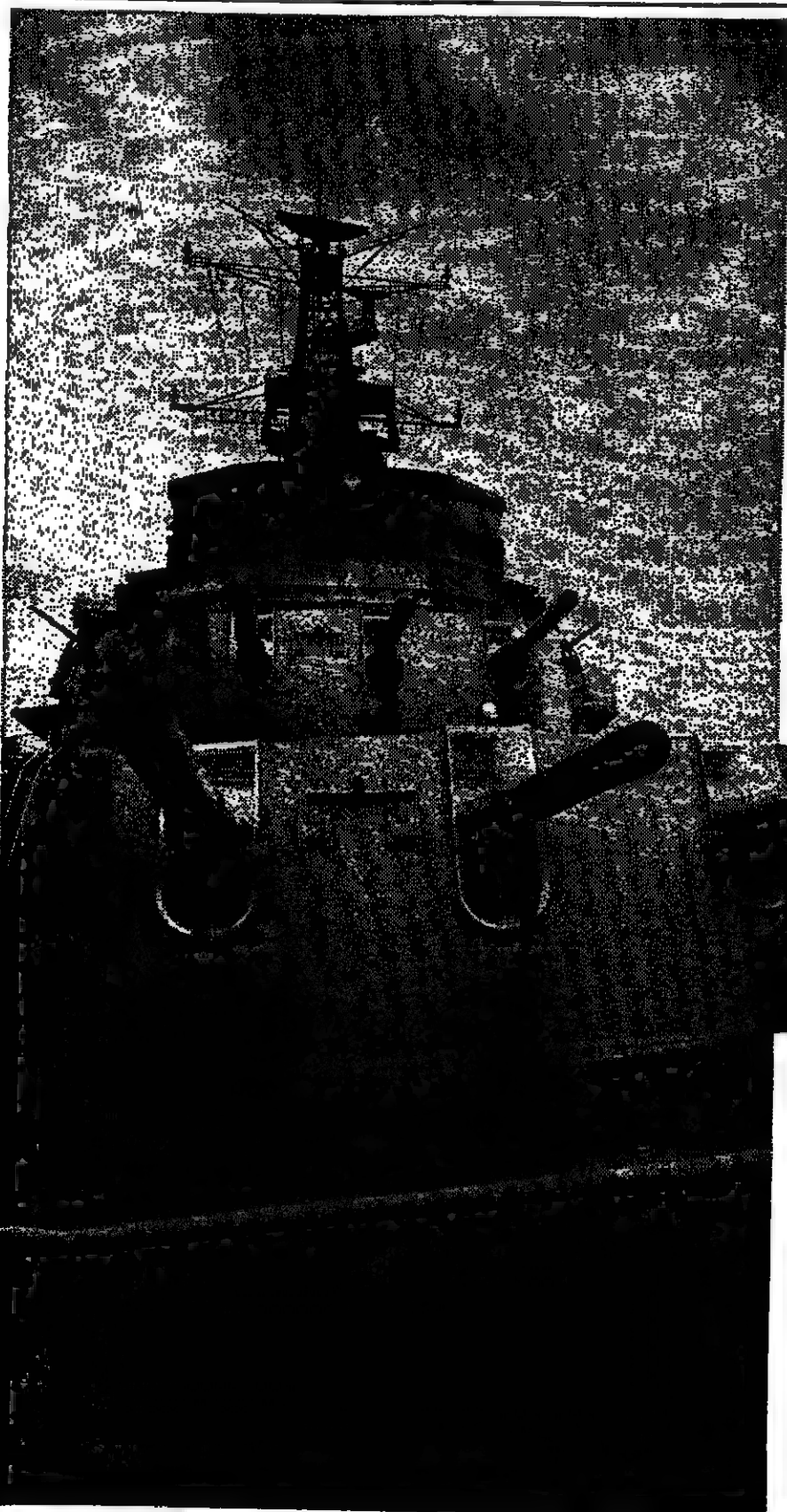
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## UK Conferences and Exhibitions 3

### Travel

# Short-term trips are favoured by companies

TRAVEL is a key motivator for many business people and so it is hardly surprising that the location of a conference can be a crucial factor in determining its success or otherwise.

A cruise round the Caribbean, competing sales managers or important clients, is obviously more enticing than holding a similar meeting in the company canteen.

Moreover, many companies offer conference travel not only as a motivator but also because it creates a captive audience free from the distractions of the office environment.

Conference organisers are also well aware that holding a conference in a major city such as London or Paris is also attractive to those business people keen to enjoy the occasional break from the office routine at the company's expense in a top-class hotel.

The exact size of the conference travel market is hard to estimate since there are various interpretations over what should and should not be included. However, the amount spent by companies on conference and incentive travel was estimated to be about £200m in 1985, up by about a quarter over the 1984 level.

Some market studies, moreover, suggest that a third of the top 1,000 British companies have used conference and incentive travel, mainly as a means of motivating staff.

The range of conference and incentive travel users covers holidays, "earned" by individuals as a result of a voucher or points scheme operated by commercial operators, through to a conference away from the office for all executives or staff irrespective of achievement.

In between are standard package tours bought from a tour operator for employees, through to tailor-made conference trips.

Allied Dunbar, the financial services company, has bought two special Caribbean cruises on one of the Royal Viking Line ships this spring.

The 15-day charter of the Royal Viking Sea, costing £1m, is for 1,400 of Allied Dunbar's top financial management consultants and directors and is seen by the company as a major component of its sales and marketing strategy.

About 50 different cruise ships were considered before the Royal Viking Line was chosen. "The ship chosen means that every delegate has a sea-view cabin and there's none of that nonsense about two sittings for dinner or two sittings for the cabaret," points out Mr Patrick Furdon, Allied

Dunbar's conventions and pre-meeting manager.

Stuffed Porters is the only financial services company attracted by cruising. Last year, for example, Abbey Life chartered P & O's Sea Princess for a 10-day Greek island cruise for 500 salesmen.

Princess Cruises, which received about £2m from such floating conferences last year, has also been used to host events for the Imperial Group, Toyota, Hoover and Lend Lease hair care products.

Small companies as well as large are increasingly making use of cruise liners for conferences. "We are not only interested in larger groups of 500 or more but willingly handle much smaller groups or, in fact, individual incentives," points out Ms Jennifer Brown from the Royal Caribbean cruise line.

But a typical Royal Caribbean conference package was for a medium-sized food manufacturing company, which offered a seven-day Caribbean cruise for some of the company's dealers. The cruise was announced at the annual dealer function with a full-scale programme about the ship and its destinations.

The key factors influencing the choice of a conference travel destination appear to be the hotel facilities, price, and the time taken to reach the destination.

Short-haul destinations in Europe are still the favourite, accounting for about eight out of every ten conference or incentive trip. Paris remains the most popular destination.

Companies that plan to stage their conference away from the office should plan well in advance and think through all the implications of the trip.

Cost can be a significant factor with a short-haul trip costing an average of £800 per person while a long-haul trip can cost three times as much. It may be better to plump for the less exotic destination but to include all the trimmings.

One often overlooked factor is the possible tax implications of the trip. In theory, everything an individual receives as a result of employment is liable for UK taxation and a trip to Paris or Spain—even if a few conference meetings are thrown in—does not reduce that tax liability.

The Island Revenue, however, is well aware that sending senior executives to a country hotel or European capital may well be a legitimate business expense if business really is being discussed. If in doubt, the Revenue has set up a special unit to help with advice.

David Churchill

THE VAGARIES of the international tourist markets—especially the slump in US visitors to Britain over the past 12 months—has made Britain's hotel groups even more aware of the importance of the business market.

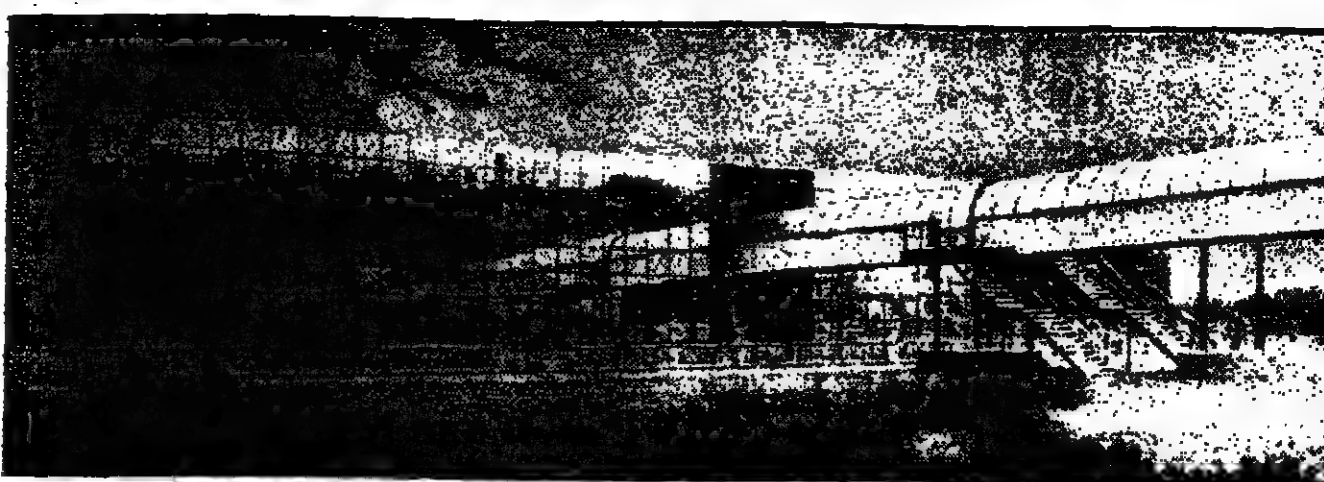
Not only do business travellers provide a more steady source of income than fickle tourists but conferences and exhibitions can generate considerable extra revenue. "The revenue gained from a conference will usually exceed that from letting the hotel's ballroom," points out Mr. Jane Rigby, from the conference production company, Commercial Presentations.

But this simple fact is not always appreciated. "How many conference organisers realise the same treatment as the person occupying the most expensive room in the property?" queries Mr Rigby.

"Reception staff, porters, catering staff and everyone within the hotel should be taught that conferences are important," she adds. "They need to understand why a conference organiser cannot wait half an hour for a drink to be cleaned or coffee cups set out."

What establishes a good conference hotel is little different from that which marks out the good hotels of any type. If it is a good hotel, then organisers and conference delegates will want to go back and that reputation will spread.

The signs of a good conference hotel include close liaison between various hotel departments such as banqueting and room service. The conference organisers should not have to deal with departmental disputes between departments and should only have to deal with one hotel employee specifically delegated to handle



The new reflects the old: the new conference complex at Castle Ashby, Northamptonshire, is linked by a covered glass way to the 16th century ancestral home of the Marquess of Northampton and contains a high-tech conference/presentation area for 400 delegates. Accommodation is available in guest rooms

### Hotels

## Welcome mat for boardrooms

Liaison between the conference organisers and the hotel staff. Another small sign of a good conference hotel is the provision of an office that can be used by the conference organisers—instead of a hotel bedroom—and flexible meal arrangements for the organisers.

As large conference halls within hotels tend to be located close to the kitchens, it is very important that the behind-the-scenes staff are told the importance of keeping noise to a minimum. Many a conference speech has been ruined by the clatter from the kitchens.

Another less obvious factor is internal hotel directions. Delegates should not be left wandering corridors in search of

meeting rooms which are badly sign-posted. Similarly, a good sign is if the hotel management ask if you want your conference to be mentioned on a bulletin board near the entrance. In most cases, companies will want people to know where the meeting is taking place but there are circumstances where discretion is preferred.

While large conferences provide much of the business for the leading hotel chains, there has been a trend in recent years for smaller conferences or meetings of executives to be held in hotels.

Thistle Hotels, which is owned by Scottish and Newcastle Breweries, has moved to capitalise on this trend by set-

ting up "private sanctuaries" within 14 of its major hotels for executives to hold special meetings.

These facilities, termed "Boardrooms" by Thistle, have been designed to keep in with the architecture of the hotel and are planned to accommodate groups of between 15 and 30 people.

The minimum standard of the "Boardroom" facility comprises a polished wood table, matching upholstered chairs, sound proofing, temperature control, plus a range of visual aid equipment. Prices are quoted on an individual basis, depending on the time the room is used for and what extra facilities are required.

Recent users of the Boardroom facilities at the Royal Horseguards Thistle Hotel in London's Whitehall, included a government lunch for Mr Weinberger, the US Defence Secretary. Later in the afternoon the room was used for a high-level meeting involving Mr Weinberger.

At The Barnston hotel in Edinburgh, management have sought to maintain the exclusivity of the "Boardroom" facility to the extent that a request to hold a "stag show" was refused.

Thistle is not alone in seeking to capture this luxury end of the hotel conference market. The Frigate of Britain consortium of 16 country house hotels last

summer launched its Exclusive Boardrooms service. This differs from Thistle's operation in that it offers exclusive use by the conference organiser of the entire hotel.

A typical Exclusive Boardroom facility is offered at Congham Hall, six miles from King's Lynn. The Hall is a 11-bedroom Georgian mansion which can sleep 21 and dine up to 40.

The Ladbroke Hotel group is also wooing the specialist conference customer by restructuring conference suites to suit clients' needs. Some 20 Ladbroke hotels now operate this customised training suites scheme, which is called Spectra Suites.

Ladbroke also recently launched the "conference link service" which offers a centralised information and reservation system to companies setting up conferences.

Another developing trend in the conference industry is the popularity of staging meetings in unusual or historic properties. "There is a huge variety of heritage properties available," points out Ms Jan Curd, director of Heritage Placements which represents stately homes and historic houses.

"They can provide the backdrop for virtually any communication occasion—exclusive house parties for top clients, product launches, special promotions, board-level think tanks, gala dinners, as well as conferences and exhibitions."

The Duke and Duchess of Rutland, for example, make available Belvoir Castle, a Regency-Gothic house near Grantham. Apart from the rooms available, the largest of which can house 220 delegates, a medieval joust can be organised exclusively for conferences!

David Churchill

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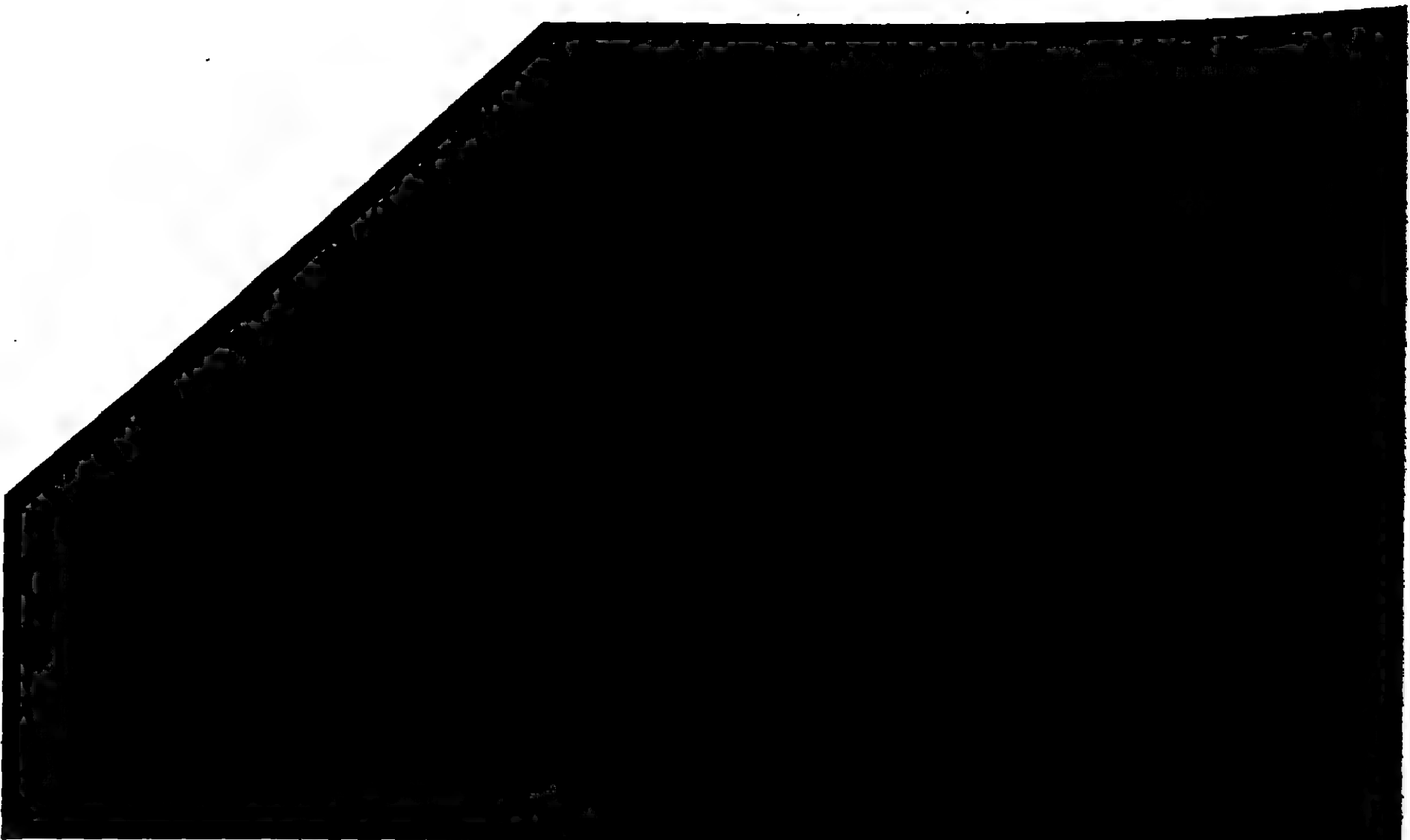
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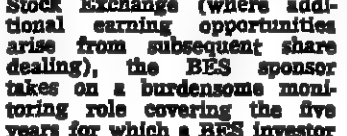




### Business Expansion Scheme

## John Dodwell explains why investors tend to follow a safe course

Moreover, as many RES investors lack the technical ability to appraise a high technology business, it is not at all surprising that they prefer to



For example, the Playhouse Theatre Company (saking up to £1.4m) honed to employ 35 full-

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## TECHNOLOGY

## Sweet sixteen holds balance of power

Multi-valve engines or turbochargers? John Griffiths looks at trends within the motor industry.

MULTI-VALVED engines for cars are becoming the favoured option over "the world over." And Japanese producers are taking an early lead in 16-valve four-cylinder units for small cars, according to industry analysts Automotive Industry Data.

AID's report suggests that the end of the turbocharger in small petrol car engines "is almost in sight," and that car manufacturers are adopting the principle of multi-valve engines as the best way of optimising power output and exhaust emissions without having to make concessions to engine weight, manufacturing costs, fuel consumption and vehicle running expenses.

The report highlights three recent, and significant, engine launches by the Japanese manufacturers Mazda, Honda and Suzuki. They have in common that they are the first volumes produced small car units of under 1.3 litres with four valves per cylinder and high power outputs of between 76 and 101 brake horsepower (bhp).

AID says that the engines are certain to spark similar action from rivals. "The next few years will see the launch of a long list of similar engines with Japanese and European origins."

But high as the outputs are, will they necessarily herald the demise of the turbocharger except for diesel applications?

Another report, from the London-based PRS consultancy and statistical group, is in only partial agreement with the conclusions of AID.

PRS's study of the Japanese turbocharger market, in observing that the outlook for turbocharged petrol engine car production in Japan is "mixed," says that "the battle between the competing alternatives (multi-valve v turbocharging) is far from resolved."

"Honda and Toyota, at least at present, clearly favour routes other than turbocharging for the central thrust of their engine development."

"However, Japanese technological leadership may preserve a complementary role for turbocharging in future engine development, and on that assumption we expect strong growth for turbocharged petrol engines."

The certain growth area for the turbo, says PRS, is the diesel car sector. It expects turbo-diesel cars to increase both their share of diesel car production and, in turn, of the total car market as the diesel sector itself grows.



However, Mr Hugo Valk, president of the automotive sector of US-owned Garrett Group, which claims more than 50 per cent of the world market for car turbochargers, does not see the systems as inevitable rivals — but as complementary in both diesel and petrol applications.

Garrett currently is spending \$10m on new plant and equipment at its UK turbo-producing plant at Skelmersdale, Lancashire, established in the early 1970s and which produced its two-millionth turbocharger last year. It expects to produce 350,000 this year, representing about a quarter of Garrett's world output.

Garrett late last year also opened its first manufacturing plant in Japan, where PRS statistics show it to have held market leadership — ahead of Japanese turbo makers like IHI — even before its Kodama plant came on stream.

Part of Allied-Signal, the US aerospace and industrial conglomerate, Garrett is investing in turbo production because it believes the world market for car turbos will maintain its current 30 per cent a year growth rate, says Mr Valk.

The worst characteristic of turbochargers — notably the throttle "lag" while compress-

ing speed builds up which first led car makers to seek an alternative way of boosting power — is already being eradicated by lighter units, says Mr Valk. Two further developments, the already well advanced variable geometry and ultralightweight ceramic rotors, will eliminate problems completely, he adds.

Subsequently, he believes, the combination of multi-valve engines with advanced turbochargers will have significant advantages for car manufacturers. For

example, smaller engines could be used with no power loss, making it easier to meet ever-tightening exhaust emission standards.

Where there is little or no disagreement is in regard to the origins of the recent sharp growth in high-output small car petrol engines. As AID puts it: "The seemingly unstoppable trend is for more power, quicker acceleration, higher maximum speeds and almost



Ford's 1500 mph Sierra Cosworth: A marriage of 16-valve and turbocharge technology.

endless all-round handling."

This applies to all sectors, including what AID describes as small "muscle cars," exemplified by hatchbacks like the Volkswagen Golf GTI and Peugeot 205GTI.

Such cars appear to be a growth-oriented sector, points out AID. For example, the Peugeot 205GTI — now being offered in 127 bhp, 130 bhp form — accounted for 11.5 per cent of all 205 sales in France for the first 10 months of last year.

Following on the heels of the 1.8 litre 16-valve Golf GTI, AID expects French manufacturers to lead the European industry into small multi-valve engine production, with the first unit, of 1.3 to 1.4 litres, coming from the Peugeot group to power a high-performance version of Citroën's new AX small hatchback from next autumn. Renault could follow with a 1.4 litre unit in 1988.

The UK's Rover Group could also be an entrant from 1988 with its K-series engine — final development of which, however, has yet to be given its formal approval by the UK Government.

While the Rover 1.4 litre unit could be launched as a single overhead camshaft, two-valve per cylinder unit to replace the current "long suffering and hopelessly outdated" A-series engines powering the Metro and some Maestro and Montego models, a 16-valve version is also likely. The K-series, believes AID, could form the base power unit for the ARS, Rover's next collaborative car with Honda.

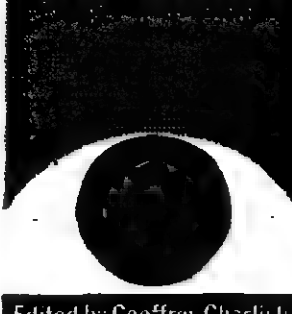
The compatibility of the turbocharger with multi-valve engine configurations for roadgoing use has already been demonstrated by Ford with its limited edition production 1500 mph Sierra Cosworth. Although of only 2 litres capacity, the engine produces 204 bhp. For competition use this is readily increased to 280 bhp by means of microchip substitution and other minor changes.

The engine is expected to be incorporated as a permanent part of the Sierra range later this year.

"Automotive Industry Data Newsletter, 24, St John St, Lichfield, Staffordshire, UK, WOL 625. 2220 or 2375 annually."

"The Japanese Turbocharger Market 1982-90, PRS Publications, 44-48 Dover Street, London W1X 3NF. £385."

## WORTH WATCHING



Edited by Geoffrey Charlish

## Genius taken on by Pilkington

GENERAL Electric Company (GE) of the US has made the first sale in the UK of its new industrial control interconnection system, Genius. The system has been installed at the Kings Norton, Birmingham plant of Pilkington Glass, where vehicle windcreens are made.

Genius is a means of connecting factory floor production equipment to the computerised devices that control them — the programmable logic controllers (PLCs). Older systems require individual cables from the production devices (motors, valves, switches, etc) back to the PLCs, but Genius uses a system of "intelligent" connector blocks near the plant devices, with a single twisted pair cable running back to the PLC, obviating much expensive wiring.

Pilkington is using Genius, in conjunction with GE's model 1650 PLCs, to control the furnaces in which Triplex windcreens are made. By dispensing with an older system, the company has substantially improved control over the furnaces to increase production rates by 21 per cent and sharply reduce material wastage.

Genius, which has saved Pilkington \$2,000 in wiring cost, will also enable faults to be discovered in half the usual time. By plugging in a hand-held unit, technicians can soon see which plant device has failed.

## Israel involved in running problem

EXERCISE MAY not be good for you after all according to the Technion-Israel Institute of Technology in Haifa. The Technion researchers have found that mild exercise

performed by laboratory mice is alright if they are young, but middle-aged mice can suffer muscle and kidney damage, particularly if they are not used to physical exertion.

More recently, the Israeli Army medical corps has discovered similar effects in soldiers subjected to prolonged physical stress. Muscle and kidney malfunction were found, especially in recruits training in hot, dry weather.

## Pocket guide to financial services

SMALLER THAN a paperback book, an unusual kind of microcomputer from Bank Marketing Consultants (BMC), Shrewsbury, UK, is aimed at meeting the needs of financial institution employees who market services direct to the public.

The user does very little by way of reading crowded screens or entering quantities of data on a keyboard. Instead, the micro's application software and fixed data comes in the form of matchbox-sized cartridges that are plugged in — a 350-page insurance rate booklet, for example.

BMC is convinced that the salesman should not have to worry about whether he is working the machine properly while the customer is probably being put off by complicated activity at the keyboard. The average training time on the BMC micro is claimed to be one minute. There is no "query" keyboard, and fewer than 15 keys altogether.

Cartridges are under development for credit scoring, loan analysis, insurance planning, mortgage comparison and pensions needs. More are planned. BMC claims that operation of the machine is so easy that consultants are already simply handing it to their customers to operate. The basic micro costs about £200 and cartridges around £50 each.

## Industrious old school network

CRANFIELD INSTITUTE of Technology, a leading UK centre for learning and research in advanced manufacturing technology, has had its 50 buildings wired up by Ferranti for wideband (high capacity) communications.

The project, financially supported by the UK Department of Education and Science, will enable the college to examine new methods of factory communications and also to run its existing Ethernet local area network. The new, multi-channel wideband network will be

The good news is FERRANTI Selling technology

able to support simultaneously other Ethernet networks, MAP (manufacturing automation protocol), point-to-point data links, video and audio — all over a single coaxial cable. The system will allow the Institute to advise British industry on computer integrated manufacturing (CIM) technology.

## Desk-top with a sense of style

RANK XEROX of the UK has announced desk-top publishing software called Ventura Publisher for use on the IBM personal computer model XT and compatible machines.

Described as "a powerful page composition package," it can integrate text and graphics from a number of existing software programs including Wordstar, Multi-mate and Word for text, and Lotus 1-2-3, Autocad, and PC Paintbrush for graphics.

The software uses "style sheets," a set of formatting descriptions for the page as a whole (for margin widths, column widths) and for component parts like paragraphs.

## Ceramics — A life of uncertainty

ALTHOUGH GREY cast iron is easy enough to machine, the use of ceramic-tipped tools at high speed is producing tool life variations which cannot be explained, according to the British Cast Iron Research Association (BCIRA).

Among the suggested reasons are the influence of trace elements in the metal and the presence of ferrite (a ceramic form of iron oxide) on the surface.

In the interests of productivity (which is affected by these uncertainties) and of product finish, BCIRA is proposing a group sponsored research project which should, by of interest to both foundries and machining companies. Entrance to the 40-week project costs £4,650.

CONTACTS: General Electric Automation Europe, Denny, UK, 0827 70001; Ferranti Computer Systems, Manchester, UK, 061 428 3305; Bank Marketing Consultants, Shrewsbury, UK, 0582 248518; Rank Xerox, Uxbridge, UK, 0895 51125; BCIRA, Birmingham, UK, 0227 88414; Technion, Haifa, Israel, 4 235151.

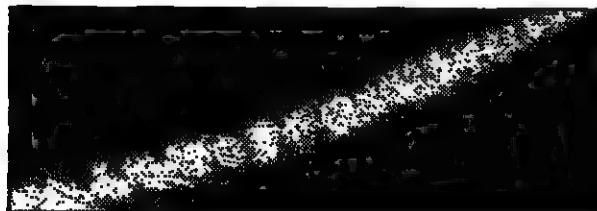
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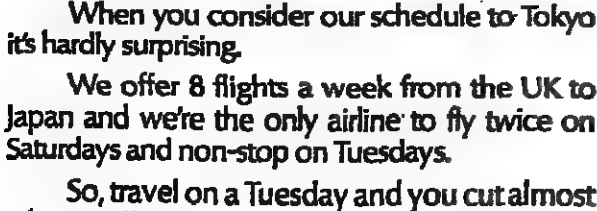
Sunday Depart 1430



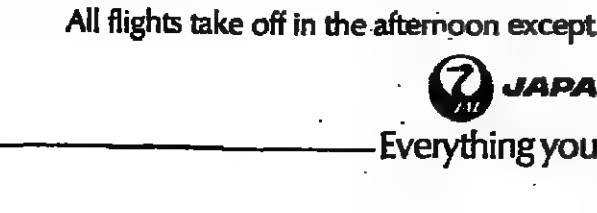
Monday Depart 1430



Tuesday Depart 1900



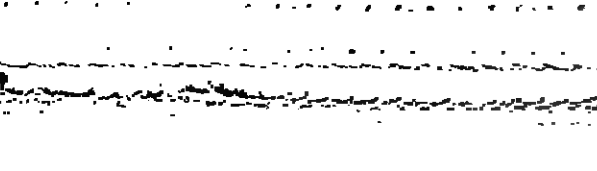
Wednesday Depart 1430



Thursday Depart 1430



Friday Depart 1430



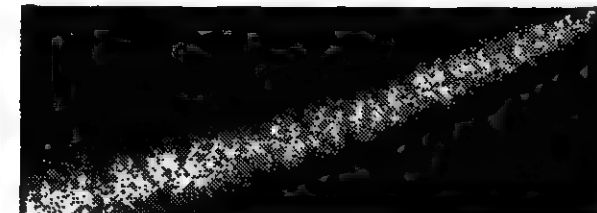
Saturday Depart 1230 Saturday Depart 1430

When you consider our schedule to Tokyo it's hardly surprising.

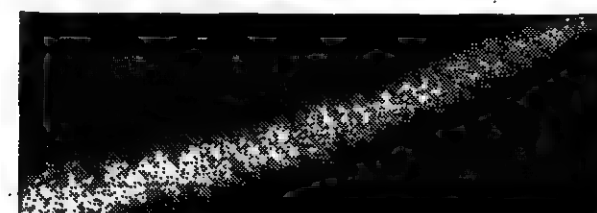
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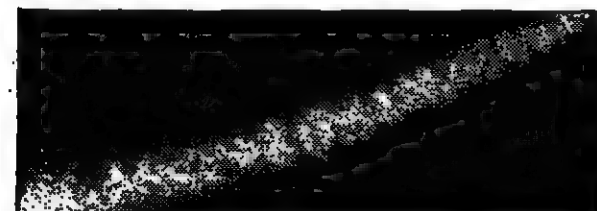
All flights take off in the afternoon except



Wednesday Depart 1430



Thursday Depart 1430



Friday Depart 1430



Saturday Depart 1230 Saturday Depart 1430

for Tuesday's which departs in the evening. Thereby leaving ample time after arrival in Japan for a meal and a good night's sleep before work the next day.

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# THE ARTS

Marlborough Fine Art/William Packer

## In praise of Frank Auerbach



"Head of David Landau"

Frank Auerbach is without doubt one of the best painters in Britain today, which is to say he is among the very best in the world. This might seem a big claim to make, a surprise alike to those at home who accept the received wisdom that the British are incapable of getting any higher than the second division when it comes to the visual arts, and to those abroad who have had no chance to learn otherwise: but it is no more than the truth.

The general prejudice may well be disabused by the show of British art in the 20th century about to open at the Royal Academy, which I shall review next week. As for the particular case of Auerbach, the process has already begun. The British contribution to *A New Spirit in Painting* at the Academy in 1981, which set the international context of current figurative expressionism, aroused at least some international curiosity. In 1984, Howard Hodgkin was the first painter in 12 years to be given the British Pavilion in Venice, was the hit of the Biennale and was launched at once into international orbit.

Last summer it was Frank Auerbach's turn to be our man for Venice, where he was joint winner of the Biennale, the Golden Lion of the Biennale, the Victoria Medal of Honour, and the Venice Award. Both Hodgkin and Auerbach, to put it kindly, are by now well advanced into mid-career. And for Auerbach especially, it seems more than a little late at 55 to achieve the proper international recognition that some of us here have long thought to be no more than his due. We may even have assumed it had already been won but for regular, innocent reminders by visitors from abroad that when three decades of considerable local recognition and consistent achievement he was known, if at all, not so much by his work as by his name alone. "We have heard of him but what sort of work does he do?" Significant strategic exposure abroad, even a mere six or eight years ago, might have shifted the balance of critical power towards us, to the advantage of our own British painting in general. But the moment passed.

The work is the thing, and Marlborough Fine Art through January and February is full of Frank Auerbach's most recent production of paintings and drawings. He is a figurative, that is to say representational, painter of the kind who works

not by imaginative invention or composition but directly by observation and reference to his subject. By choice and long practice he works from what he knows best and most familiarly, within the deliberately narrow yet infinite scope afforded him by the human figure on one hand and on the other, the street and landscape close to his studio by Primrose Hill and the domestic interior. He returns repeatedly, almost obsessively it sometimes seems, to the same motif, whether figure or object. In this instance the paintings and drawings from the figure are all portraits—heads and shoulders only of a handful of his regular models, long fixed within his closest acquaintance. The landscapes and interiors, too, are well used and familiar images, a tree on Primrose Hill and an interior at Vincent Terrace. None of the works is large, some very small.

He is also an expressionist. The view that there is a quality of expressionism in all true painting is hardly new, but Auerbach is expressionist in the overt and technical sense, a painter in whose work the physical process of the image and the manipulation of its material are not merely open and visible but positively celebrated. All these works, portraits or whatever, are registered by their particular source and reference. They are not at all exercises in verisimilitude or particular characterisation.

The intensity, rather, is to achieve, in the portraits for example, the peculiar alchemy of paint and brush stroke—a figurative equivalence and presence that has such imaginative vitality as to have a life of its own. No human being ever looked quite like this, but then no human being was ever an oil painting exactly. There is no question of any trick or sleight of hand or suspension of any disbelief. We look at the paint as what it is, and the sweep and alid of the brush across the canvas, full of energy and force, grace and truth.

Auerbach's method is known to be not one of cumulative and judicious adjustment and relation, but rather of active revision and restatement. The image is thoroughly worked and reworked at a sitting, reduced and reworked again, and so again, until image, the marks which constitute it and the surface which carries it, are reconciled by some strange and wonderful intuition into a complete and final state, an autonomous object, definitive image and imaginative spur. The process may take hours or months.

And as we grow used to these things as they are, returning to give them another chance after an initial puzzlement or rejection and relishing them now for their physical material richness, colour and technical control, we begin to recognise their curious humanity and imaginative force. For of course they are more than mere things of paint and canvas. There is an inevitable accumulation of experience to them, and they begin to share their secret history.

The artist's long confrontation with his own experience, vested as it is in his creative communion with his model, is the vital imaginative force which informs and enlivens his work. It is this vitality which engages us to share in the experience ourselves. Before these images, we too sense the presence of the model. These are real people.

"Study for Tree on Primrose Hill II"

PLG/Purcell Room

David Murray

The annual "Young Artists & 20th Century Music" week ended on Friday, and as usual the Park Lane Group proved itself to be the best of impresarios. Do London music-lovers realise that this is the only annual series in the capital which presents young performers from a broad range, but all adventurous enough to tackle recent music—selected exclusively by fellow musicians? Debut recitals are scattered thick throughout the year, according to the whims of patrons and the intuitive gambles of agents, and you pay your money and take your luck; the PLG offers an intensive week of recitalists (chosen from five times as many auditionees) who have impressed cool, practical forms of the star-dust and, with their reliance on daily imitable standard repertoire, has a track record anything like as good.

The Apollo String Quartet got together at the Royal Academy only the year before last, but they promise an exciting future. They were suave and sensitive in Dutilleul's *Alma* in suit, expertly assured with all the untapped "effects" of Penderecki's Second Quartet. In Debussy their stylistic intentions were sound, the musical playing more consistently successful than their ensemble, in which principal voices were occasionally submerged. Still, one couldn't want a better basis for development than individual

playing of such strength and character. The pianist Nigel Hutchinson displayed a feet brilliance worthy of his teachers, Craig Sheppard and Earl Wild, and in Berio's *Sequenza IV* a deftness with the pedals (Berio makes great use of the extra sustaining pedal) unusual in a British pianist. There is a virtuoso on the way. He gave a clean, thoroughly intelligent account of Copland's 1930 *Variations* without a hint of hesitating Samuel Barber's romantic Sonata needs rather more bashing, and a heftier rhythmic urge, than it got in Hutchinson's slightly bloodless performance—but he is probably wise not to broaden his palette too hastily. Fingers as clever as his should not be forced.

Marin Harvey's trombone was sensationally agile and accurate in the Little Sonatina. Maxwell Davies wrote for trumpet in 1984, and several other pieces demonstrated a fine expressive range of tone. I thought three Giacinto Scelsi pieces, in the weightily simplistic Scelsi manner, needed solemn presentation besides—Harvey's informality was too modest. He and the pianist Vanessa Latchare introduced Nicolas Sackman's new Sonata stoutly and enthusiastically, for all its well-knit writing (maybe over-intricate), a certain monochrome impression was left. One wanted more air, and reassurance that Sackman isn't going the way of Hindemith.

With membership still intact after 41 years, the Smetana Quartet have outlasted all their contemporaries. It would be misleading to pretend that the years have not started to take some toll on their playing; there is now a brittleness to some textures that older recordings suggest have not always been present, and the warmth that is one of the most salient features of their style sometimes deserts them. But the essential character of the group, the almost subliminal unanimity and expressive control, has been wonderfully preserved: how refreshing to hear again a chamber group composed of four equally perceptive partners bent upon a single interpretative goal, instead of four disparate views of the same work or even, worse still, a quartet entirely dominated by one or two virtuosi.

That totally instinctive playing is heard so emphatically in the quartet literature of the Smetana's homeland—Smetana, Dvorak, Janacek—and the first two of those composers were represented in Saturday night's Wigmore Hall programme. Smetana's second quartet in D

Smetana Quartet/Wigmore Hall

Andrew Clements

minor and Dvorak's A flat quartet Op 106 were preceded by a less convincing account of the fourth of Beethoven's Op 18—dry and withdrawn, though still well schooled and thoroughly idiomatic. Smetana's D minor quartet is ideally suited to the infinite resource and flexibility brought to it here. It is a superbly concentrated work, hardly the product of "an extremely disturbed mind," as the writer of the evening's programme notes maintained, but rather the consequence of a fully controlled musical mind seeking to express the isolation and lack of sensation that deafness had brought upon it. The sudden changes of mood, the interjections of alien material, the nostalgic dances rhythms recaptured in despair, and the insistent form of the second movement, all richly sustained.

Equally the more regular paragraphs of Dvorak's final quartet were allowed to emerge with total naturalness. Both the Smetana and the Dvorak were played from memory, a prodigious achievement in itself, but also leading to the playing a marvellous spontaneity.

Even Abnazar, who usually thrives on interaction, felt moved to intervene. "It's too early in the game for the 'oh no you won't' exchange," he growled, not without relish. The Glasgow audience, which has served as Lynch-mob for so many careers, had been in seething form before curtain-up. They came not to bury but to praise, and the focus of their adulation was Stanley Baxter, who was playing the Dame on home ground. When he stepped on stage in Widow Twankey's soap packet overall and a Princess Michael bouffant, Baxter had a test for his audience's loyalty. "Lawndrift? Lawndrift?" he intoned in delicate Rome Counties English. There was a stock-taking silence. Was this the Stanley Baxter they knew and loved? The Dame's geotol

inquiry gave way to a raucous command, "Bring out yer clarty class," and there was collective sigh of relief. Essentially a bilingual comedian with a following north and south, Baxter was back, performing in his native tongue. Chauvinism was fuelled by a very English Abnazar, admirably played like a dyspeptic dot vider by Alan Curtis, who kept up a stream of insults about baggy guzzling and heathen practices north of Hadrian's Wall. The audience, particularly the pensioners' parties, gave as good as they got.

John Ramage, an effervescent Wishee Washee, won over the children, and served as a perfect foil to Baxter. Judith Hibbert gave us a genuine Aladdin with the no-nonsense

Aladdin/King's Theatre, Glasgow

Annalena McAfee

stances of a girl guide and a voice of ringing clarity. Staging was pacy, driven along by the fast musical director, John Ramage, and the undragging choreography of Rhona Cleland. The strong cast was boosted by the young pupils of local dancing schools as the cheeky cooie-batted children of Pekin. The story-line was well maintained, updated with local and topical references ("Help Ma Boah, It's Ian Paisley," says the Dame of the dour Grand Vizier), and interspersed with Baxter's own set-pieces. He demonstrated a genius for character-acting and timing as the lovely Marlene, pulchritudinous assistant to a magician, and gave us a splendid Highway Code strip-tease, right down to his No Entry knickers.

The costumes and sets by Terry Parsons combined wit and wit with the magical lantern procession to the thrilling willow-patterned finale. Baxter's costumes were a triumph of bad taste, particularly his Chinese take-away ensemble, with noodle-bagging foil skirt and chew mein-and chopsticks hat. Baxter and Ramage were at their best as the Ruchill Ravens, a pair of fluorescent-haired thugs from a district "so rough that Colonel Gaddafi used to be the Avon Lady." They gave us a punk melody of traditional Scottish songs (Marie's Wedding, I Dream of Jeanie, We'd No Awa) that owed more to Sid Vicious than Kenneth McKellar and the audience clapped, stamped, and whistled as if at a cello.

It was a good performance. Patricia Craig, the heroine, is America's superior soprano. Her voice is at its prime (she'll be 40 next year). Vocal "burn-out" is a phenomenon in the news here: wear and tear caused by tackling too

heavy roles too soon. In large houses, while sacrificing beauty and purity of tone to force and volume. (One famous international singer, I think, was told to sing like a bull for instance.) But Craig has matured wisely and well. Her ample soprano moves ably and surely—true, steady, and unfazed at climaxes. She has studied with Magda Olivero, and mention of that name may suggest some of her old-time stylistic assurance. She's not an electric actress—vivid at moments, then unimpassioned at others. But of the difficult part she gave a distinguished and uncommonly satisfying performance.

*Calaf* was a new Spanish tenor, Juan Laque Carnopa, whom we should be hearing more of since he has a well-formed, supple voice, bright and forward in its focus. Franco Zeffirelli thrust in these pages in the '60s his Donizetti performances (*Parisina*, *Pia de Tolomei*) in Siena, is now the company's principal bass; his Barak was excellent. There were bright sets by Urs Nappo (dulled by the cliché blackness around them) and a straightforward production by Arvin Brown, director of the famous Long Wharf company in New Haven. Spirited conducting by Laurence Gilmore. The opera, for no good reason, was sung in Italian translation.

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Sweet Sue/Music Box, Broadway

Frank Lipsius

A R. Gurney Jar, chronicler of upper-class New England WASP culture in plays like *The Middle Ages* and *The Dining Room*, manages to switch gears in *Sweet Sue*, a comedy at the Music Box starring Mary Tyler Moore and Lynn Redgrave. Though the title echoes a Big Band era song, the play is a modern romance between a middle-aged woman and her son's college roommate. The two stars play the same woman, Sue Wetherall, while her young paramour, Jake, is the pair of John K. Linton and Barry Tubb, a teenage heart-throb in films like *Top Gun* and *Mask*. The echo of Peter Nichols's *Passion Play* is unmistakable, but the latter ages appear more like friends than contrasting sides of one personality. They ruminate over their feelings, inhibitions, and dilemmas with each other. Indeed, they get along better with themselves than with the other characters.

The two actresses make an interesting contrast in playing the same character. Miss Redgrave sounds haughty, at times like a lecturing mother, while Miss Moore seems genuinely trying to match the sensibilities of a younger generation. When she cuts Jake short by saying, "Leave it alone, will you?" she

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His freedom of phrasing and his strong yet sophisticated command of Bachian rhythm—virtues here shown in a particularly linked—were especially remarkable in bringing out the robust humour, at times one might almost say the hilarity, of the E major Partita. Bach's foxy was calm to the senses or allowed simply to sit back during this one and enjoy the music.

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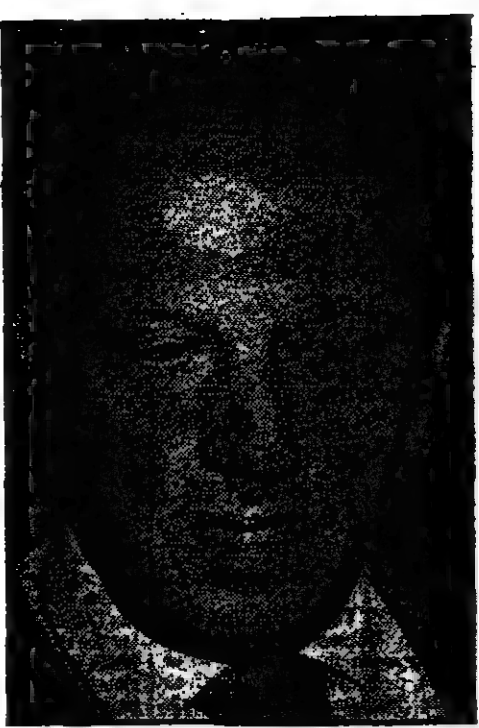




... but in the UK BTR's acquisition of Dunlop has brought some benefits

# A culture shock that won ardent converts

By Martin Dickson



Sir Owen Green, chairman of BTR

The fears of Dunlop's managers, within days, the joint chief executives of BTR's European operations, Mr Lionel Stammers and Mr Hugh Langland, travelled to two or three Dunlop plants a day to explain BTR management philosophy and its financial control methods.

"We demonstrated that, despite what they may have read in the press, BTR takes a strategic view of its businesses," says Mr Stammers. "We proved that we've each got only one head and a couple of eyes."

Simultaneously BTR was working out how to slot the various Dunlop companies into its structure. This consists of groups of related companies, each headed by a peripatetic chief executive who reports to one of four regional chiefs.

The task needed to be done quickly. Within four weeks after Dunlop's takeover, a few businesses, such as hose and belting, fitted naturally into BTR groups with similar operations. Others, such as the sporting goods operations, were so large and cohesive they needed to be treated separately.

The existing Dunlop management structure was retained virtually intact. "In every acquisition we have made, we have discovered a wealth of talent at the operational level," says Mr Stammers.

The next task was to get the Dunlop businesses reporting on

the same financial basis as the rest of the group—a change of practice which goes to the heart of the BTR management method.

The first element is a series of financial reporting forms refined over the past two decades. Each group files monthly reports to BTR's small, unimposing London head office, and these are tracked against the major touchstone of performance, the subsidiary's annual profit plan.

This plan is drawn up, between August and November, in a series of negotiations between line managers and head office. The aim is to set a series of performance targets for the following year which will stretch the companies.

"It's a bit like an elastic band," says Mr Roberts. "You don't know how far you can stretch. You all find you've got a little bit more in you than you thought. It is a very detailed, minute procedure and the plan at the end has been forged in the fire."

The plan stresses returns on sales, which BTR has adopted as a simple ratio which ensures good cash flow. It argues that concentrating on return on net assets, a performance criteria used by many companies, including the old Dunlop, can make managers place insufficient emphasis on profits.

The second element is strict supervision of working capital controls. In extreme cases a BTR subsidiary, Clear-Debt,

But might not this highly centralised system of financial controls and developed management responsibility lead to clashes over capital expenditure? So far it does not appear to have done so, as is shown by two examples:

At Dunlop-Slazier International, like all of the old Dunlop group, had for years before the takeover been desperately short of investment funds. In many areas, its technology was excellent—for example, it developed a process for injecting graphite fibres into tennis rackets. But lack of funds and marketing weaknesses meant it did not capitalise on this lead.

Under BTR, its factories have been updated and rationalised, involving substantial job losses. However, greater technological efficiency and UK labour rates, which now compare better internationally, mean that the company is starting to bring back to the UK some production which it had moved to the Far East.

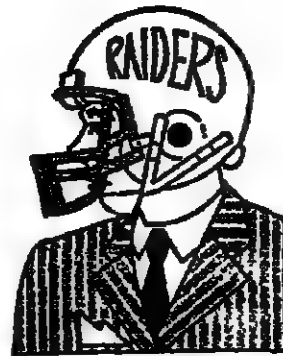
Advertising and promotion is vital for the manufacturer of sporting goods and Dunlop had been concerned about the attitude to this of BTR, a relative newcomer to the consumer goods sector. But says Mr Finden-Crofts, the 1987 spend will be up to 42 per cent on last year—a decision which did not have to be discussed with head office.

As for profits, these have risen from £9m in 1985 to £15m last year—and more than £22m projected for 1987. Dunlop-Slazier has been gaining market share, and is opening offices in the Far East and an additional operation in the US, where it wants to increase golf ball sales. It is also being encouraged by BTR to look for acquisitions of its own.

B Dunlop Aviation is Britain's own manufacturer of wheels and braking systems for aircraft, and also produces other high technology aviation components. It has a world lead in carbon brake technology—it produced the first for service on Concorde. This is an operation which depends on long-term planning, given the time it takes to get an aircraft off the drawing board.

Mr Roberts acknowledges that BTR could have come in and quietly "harvested" the business for short-term gains. But this has not happened. A capital spending programme involving several million pounds for computer-aided design is going ahead, while the group is maintaining its 10 per cent ratio of R and D expenditure to sales.

As for profits, while the company will not give precise figures, it says these have doubled in real terms over the



past three years on turnover up 40 per cent.

The target for 1987 is an 18 per cent growth in both profits and sales. "Far from there being a hiccup when BTR took over, the whole thing has been cut by about 10 per cent since the takeover and redundancy terms have been paid. BTR says that the job losses were long overdue—in many cases the old Dunlop simply did not have the cash to make people redundant—and that it leaves these decisions to local management."

Nevertheless, its termination of a national agreement over redundancies has left trade unionists angry. Mr David Warburton, of the General Municipal and Boilermakers' Union (GMBATU), who for many years was the national officer covering both BTR and Dunlop, says: "Industrial relations-wise, BTR is still back in the dark ages."

From the viewpoint of both BTR and Dunlop management, the takeover has been a success. The former has gained a strong earnings stream in some excellent niche businesses; the latter has been allowed to pursue its growth path which its existing managers saw as necessary, but which they lacked the financial muscle to execute confidently.

Admittedly, it would have been remarkable if the takeover had not been successful—Dunlop was set for a bounce back before BTR appeared on the scene. But the ground has been accelerated and the former Dunlop managers seem to have few complaints, apart from the odd grumble that BTR does not pay its senior staff enough, or about the intensity of the demands placed on them. "It's a pretty pressured life," says one. "There isn't much time to sit and stare."

This is the first of a series. The next article appears in the Management Page tomorrow.

## Lombard

# Using consultants as managers

By Christopher Lorenz

MANAGEMENT consultancy has always been seen as a cut-and-run profession. A well-worn cliche tells of the consultant who rushes in to apply all his analytical wizardry, hands over his recommendations, and then walks away, leaving his client struggling to turn theory into action—or as often as not, picking up the pieces. The consultant is never heard from again, except when (two days later) he renders an astronomical bill for his services.

Since the early 1980s, when dissatisfaction grew to a peak, consultancies have been trying to change that image by sticking with the client long enough to help him carry out their recommendations. "Implementation" has become one of the profession's prime selling pitches—and a lucrative source of extra revenue.

While getting closer to their clients, most consultancies have taken care still to stay at arm's length. McKinsey and the Boston Consulting Group (BCG) may spend longer than they used to on each assignment, and carry out more repeat projects for each client, but they have avoided becoming permanent members of the corporate staff and (effectively) co-managers of their clients' businesses.

Nor would most clients wish them to get that close in any case, on the grounds that a consultant is still at his most effective as an external adviser, and that it is for the manager to do the actual managing.

That a few large companies see things differently is evident from the remarkable rise of Bain and Co, a Boston-based consultancy which follows the single-minded strategy of turning its teams of bright young business-school graduates into long-term auxiliary corporate staffs for a handful of selected clients around the world.

Founded in 1973 by Bill Bain, after a stellar career at BCG, the firm employs more than 1,000 people in offices all over the globe. Among the European clients whose fortunes it has fostered since 1981 has been Guinness, the drinks group whose lustre is fading daily under the shadow of one of the biggest share dealing controversies the City of London has known.

The questions provoked by Bain's deep involvement with the management of Guinness extend far beyond the role of one of its staff. Mr Oliver Roux, as Guinness's director of financial strategy and development. For Mr Roux who resigned yesterday, was only the most visible of a large team of Bain consultants at work within Guinness as near permanent secondees.

From a purely managerial point of view, the whole "rent-a-staff" approach is beset with problems. If a company is as short of key staff as Guinness evidently was when Mr Ernest Saunders was called in to revitalise it in 1981, why not recruit them, or to his consultants as used as a short-term stopgap?

Continued reliance on outsiders is dangerous in several respects. It may narrow their perspective and lessen their objectivity, which were two of the main reasons for employing them in the first place. At the same time it may create resentment among the company's full-time managers.

In legal terms, too, uncertainties abound. One of the long-term results of the Guinness affair may have to be moves to clarify where the moves to the responsibilities lie: to his consultancy, or to his long-term client?

In support of the Bain approach, it could be argued that the partial externalisation of corporate staff work forms part of the inexorable disintegration of business structure, in which anything from product sub-assemblies to office cleaning, debt-collection to transport fleets, are sub-contracted to outside experts.

But corporate staff work, especially in the very areas of strategy at which Bain excels, is so close to the heart of a company that it may be risky to slice it off for any great length of time. Nor is it enough to argue that Bain's role is confined to staff work, rather than line management.

In a well-run organisation it is impossible to distinguish clearly between line and staff roles. As many companies have found in recent years, the most effective strategist has one foot in line management. But if the strategist is an outside consultant all sorts of conflicts can arise.

## BTR bid for Pilkington

from Mr A. Campbell

Sir,—The Office of Fair Trading (OFT) is considering whether to refer the BTR bid for Pilkington to the Monopolies Commission. A referral can be made if the OFT thinks the bid threatens the public interest. We need therefore a clear definition of the public interest.

The Pilkington defence document defines the role of business as "the long term creation of wealth for our shareholders, our employees, our customers and the communities in which we live." To this definition I would add suppliers as one of the company's stakeholders. But what does wealth creation mean in this context? For customers, wealth is created by good products; for shareholders, it is created by dividends and a rising share price; for employees it is created by jobs; and for suppliers it is created by purchases. So, long as the company trades fairly with each of these stakeholders, wealth will be created by business activity that earns a profit. A company is acting in the public interest so long as it makes good products, creates wealth for shareholders and trades fairly with its stakeholders.

The OFT's role, as its name implies, is to ensure that companies trade fairly. So long as they do, the company interest and the public interest are aligned. The market activities of the private sector can then be allowed to operate freely, a process that works to put resources in the hands of the nation's wealth creators.

Since the OFT monitors fair trading continuously, its role in bid is to assess whether fair trading may be threatened under Norman Tebbit this meant that the OFT only stepped in when competition was likely to be substantially reduced, giving some monopoly power to the combined companies.

Your correspondent Martin Dickson suggests, in "Takeover Duncy" (January 9) that in the use of BTR's bid for Pilkington, the OFT should consider their issues. He lists research and development, investment, and regional and global strategy as items the OFT could "weigh up." I strongly disagree.

Neither the OFT nor the monopolies Commission are called on to judge whether Sir Owen Green's research policy or global strategy are likely to be better than those of Anthony Pilkington; and regional policy the remit of government, not business.

The OFT should focus only on the issues of fair trading. It would only refer the BTR bid if it believes the combined

## Letters to the Editor

companies will fail to trade fairly with their stakeholders. Andrew Campbell, Centre for Business Strategy, London Business School, Sussex Place, NW1.

### Private post

From Mr G. Speight

Sir,—Your Leader on possible privatisation of the post system (December 30) was curiously defeatist. There is no point in having a threat to introduce competition unless you really mean it.

There is absolutely no reason why people should not be allowed to pay for organisations other than the Post Office to transmit their letters. Moreover, there was a time when we could trust the liberal values of great organisations like public education, broadcasting, etc. But we have seen that one danger of monopoly organisations is that of politicisation.

It is important that the state should not have a monopoly of delivery of mail—not just because of inefficiency but also because the sender and the receiver need the security of a system which is not subject to under state or trade union surveillance.

Guy Speight, 1, Fitzroy Road, Tunkerton, Kent.

### Insider dealing

From the Head, Department of Accounting and Finance

Sir,—Professor Myddelton (January 8) has drawn the wrong message from modern financial theory in alleging that "honest investors" are unharmful by insider dealing because of the distinction between "unique" and "systematic" risk.

Finance theory is primarily concerned with the use of publicly available information. The insider by definition takes advantage of unpublished information and trades upon his expectations of the market reaction when this information becomes publicly available. Information will be made public virtually without cost. The extent to which the insider makes a profit from exploiting his knowledge harms the market.

As quite a distinct matter, it may be that making insider dealing a criminal offence (1980 Companies Act) was a mistake. Plausibly it only has the effect of the raising the risk, and the

returns, to the insider dealers. Moreover, insider dealing has the effect of bringing information to the market and the harm caused by insider dealers may perhaps still be outweighed by the benefits from a fuller information flow. This would only be true, however, if companies were themselves fairly in publishing price-sensitive information for the benefit of all users. M. J. Mumford, Lancaster.

### EEC retaliation against the US

From Mr W. Jones

Sir,—It would appear from your report by William Dawkins in Brussels (January 9) that our Lords and Masters at Brussels are so keen to have a fight with the US that they do not mind in the least what damage is done to their own citizens.

It appears that the EEC is examining imports from the United States with a view to selecting some of them for punitive treatment. This will undoubtedly create difficulties for some American farmers or producers, but is unlikely to do any damage to the career or bank balance of any American official or politician. Equally, many traders or end users in Europe will suffer loss and be caused hardship by a sudden flat deliberately intended to wreck the trade they have been doing. May God save the citizens of Europe from the belligerence and obstinacy of their leaders!

W. A. N. Jones, c/o W. H. Jones and Co, 17, Oakleigh Park North, N20.

### Congested travel

From Mr R. Donnell

Sir,—Mr Botwood's plea (January 6) for more runway space in the Greater London area may be overtaken during the next decade by the inauguration of high-speed rail services through the Channel tunnel. These could serve southern England, the Lowlands, France as far south as Lyons and Toulouse, and the Rhineland countries of Cologne and Düsseldorf. Extending the coverage to cities within 48 hours' real travelling time from London would include Hanover, Frankfurt and Bordeaux, leaving only Maastricht, Hamburg, Scandinavia and Munich to be served exclusively by air. The ensuing transfer of high-density air to high speed rail services would considerably ease the growing

pressure on airport runway facilities near London and the flight density on the Continental routes served by them. Indeed, there appears no other way of saving millions of inhabitants of southern England from persistent aircraft noise.

Sponsors of the Channel tunnel should make intermodal transfer of medium-distance passengers from air to rail possible by abandoning the more extravagant plans for very short-distance rail shuttle services and transferring construction and operational funds thus saved to the provision of a high-speed link between the tunnel and central London.

Much of the long-distance freight services through the tunnel would consist of container trains; the load could be easily transferred, both between road and rail and between the British and Continental loading gauges—by the creation of a transfer station near Reigate. Ralph Bowditch, Sorby, Elm Lane, Shipfield Heath, Henley-on-Thames, Oxon.

### British Airways offer

From the Chairman, Wider Share Ownership Council

Sir,—The policy adopted by the Government over this issue is perhaps receiving more praise than it deserves.

The income and capital growth potential of British Airways shares may indeed be regarded as more volatile than that of British Telecom or British Gas. No responsible adviser would recommend them as the only (or even the first) equity holding for the smaller investor. It is therefore entirely right that the offer should not be the subject of a mass publicity campaign. That does not however justify the restriction of shares available to the British public of only a little over 20 per cent, with a "clawback" of 15 per cent in the event of considerable oversubscription.

Whatever may be the case for reserving a proportion of these issues for overseas investors, any material reservation in favour of UK institutions is basically incompatible with a commitment to wider share ownership. Such a commitment requires that the institutions should act merely as underwriters (for which of course they get paid). Since British Telecom the authorities have been making welcome progress in that direction, with British Airways they are backsliding on the clawback.

This council entirely agrees with the Minister of Transport about the desirability of deepening share ownership as well as broadening it, but among the people owning shares there must now be quite a number for whom British Airways could well be an element in the deepening process.

Edgar Palmour, 94 St Paul's Churchyard, EC4



# 1987 good reasons to see Thailand this year

Majestic temples and magnificent elephants, glittering roofs and garlands of orchids, enchanting people and exotic cuisine...one could write a long book about the land they call Thailand (and many seasoned travellers have). And never has there been a better year to see Thailand than 1987. For this is Visit Thailand Year in the Land of Smiles.

Among the kaleidoscope of festivities planned for 1987 you should try to catch some of these:

**Feb 13-15 Chiang Mai Flower Festival.** A million blooms, a thousand smiles. One of the unforgettable moments of your life.

**April 13 Songkran Festival.** A nationwide water festival celebrating the Thai Lunar New Year.

**May 9-10 Bum Bang Fai Festival.** "Bang" indeed. Held in northeast Thailand, a fireworks show like no other you've ever seen.

**Oct 16 Royal Barge Procession.** An armada of brilliant colours, pageantry and rare splendour not to be missed.

**Nov 5 Loy Krathong.** Celebrated nationwide, this is Thailand's loveliest festival.

**Nov 14-15 The Elephant Round-Up.** Ever seen 100 elephants enact a medieval War Parade? You will if you come to Surin in northeast Thailand for this extraordinary display.

**Nov 22 Bangkok Marathon.** A major sporting event commemorating His Majesty the King's 60th Birthday Anniversary.

**Dec 15 Light and Sound Presentation.** A glittering occasion to be held at the Royal Grand Palace and the Temple of the Emerald Buddha.

These are only a small selection of the truly stunning special events that mark 1987 as Visit Thailand Year—a year full of festivities, flowers and fireworks.

Make your holiday plans now. And make sure you fly on Thailand's own airline, Thai International.

Where the exotic sensations that are Thailand start from the moment you step on board.





## SECOND EXECUTIVE LEAVES BRITISH DRINKS COMPANY

## Guinness finance director quits

BY CLIVE WOLMAN IN LONDON

MR OLIVIER ROUX yesterday resigned as finance director of Guinness, the British drinks company being investigated by the Department of Trade and Industry, five days after his fellow directors publicly implicated him in the possible misuse of company money.

Mr Roux's resignation was submitted on Sunday and accepted "with regret" by the board yesterday. It follows the enforced departure of Mr Ernest Saunders, the former chairman and chief executive, on Friday. The two were deeply involved in the illicit use of Guinness money to boost and support the Guinness share price at an inflated level during the final stages of its takeover battle for Distillers last year.

Following revelations about the extent of the share support operation, Mr Roux said yesterday that he wrote a letter to Kingsley Napley, the firm of solicitors advising Guinness, which was received on Monday morning, January 5. Mr Roux has not been in the Guinness offices since before Christmas. He

MR NORMAN TEBBIT, the Conservative Party chairman, yesterday strongly counter-attacked Labour's criticism of the Government's attitude to the City of London. Speaking at the Hansard Trust Achievement Award lunch, Mr Tebbit emphasised the Government's "determination that the City's financial markets shall be clean and honest places in which to do business. We need no lessons from Labour politicians."

In an intervention underlining the Government's concern about City affairs becoming a major political issue, Mr Tebbit argued that insider trading was still entirely legal under the last Labour government, which had failed to act against that abuse.

said the letter was passed to the DTI inspectors who requested a meeting with him on January 6. This took place on Friday, January 9, he added.

But Mr Roux's fate was effectively sealed at the board meeting of Guinness directors, at which he was not present, on January 8. Afterwards, the directors issued a statement saying that they had been briefing themselves on the affair through several meetings "including meetings with Mr Olivier Roux." No other name was mentioned.

Once the substance of his evidence to the DTI was passed in a letter to his fellow executive directors last Friday, not only his position but that of Mr Saunders became untenable.

Mr Roux, who appeared to be in a cheerful mood yesterday evening, was appointed a consultant to Guinness in 1982 by Mr Saunders, shortly after he took control of the company. He became a non-executive director in July 1984 for a fixed term of three years and became director of financial strategy and development in 1985. His position is

unusual in that his salary was, and continues to be, paid by Bain and Co, the US-based management consultancy, which seconded him to Guinness.

Meanwhile the focus of attention is shifting back to Morgan Grenfell, the merchant bank adviser to Guinness during the takeover battle, some of whose directors were involved in the illicit share support operation. The bank is planning a major organisational restructuring to strengthen its central management and speculation has been growing about the position of its chief executive, Mr Christopher Reeves.

It is felt that he must have known about the Guinness share support operation, which breached several sections of the Companies Act.

Last night, the bank issued a statement saying that Mr Reeves continued to enjoy the confidence and support of his fellow directors which was shared throughout the organisation.

## China's rulers crack down on academics

By Robert Thomson in Peking

PROFESSOR Fang Lihui, the controversial Chinese astrophysicist who supported the recent wave of student demonstrations aimed at greater freedom and democracy, was dismissed yesterday from his post as vice chancellor of the university where the protests began.

Rumours of a major overhaul in the ruling Communist Party gathered pace last night as the party took its most severe action in the wake of the protests.

Senior party officials began a purge of the University of Science and Technology in Hefei, capital of the central Chinese province of Anhui, sacking both Professor Fang and Guan Weiyuan, the Anhui University chancellor. Guan was accused of neglecting his political duties, according to Xinhua, the official Chinese news agency.

The sacking, with expectation of more to follow, are a serious blow to academic freedom in China, and the question now, as academics and intellectuals go to ground and adopt a policy of silence, is how widespread this latest crackdown by anti-liberal conservatives will be and how long it will last.

The party leadership has clearly been in turmoil for weeks because of last month's demonstrations, and the strain of the struggle between reformist liberals and the conservatives is beginning to tell.

Party leader, Hu Yaobang is reported to be "fatigued" and unable to receive foreign visitors. News of his illness comes, at a time when Jiang Qing, Mao Zedong's widow, has been reported by the official government Weekly Digest magazine to be close to death. She was portrayed as the main villain in the big power struggle a decade ago as leader of the Gang of Four and has been in prison since the gang's downfall in 1976.

He has not been seen in public since late last month, which coincided with the launch of the campaign against "bourgeois liberalism," but most diplomats are convinced that the party leader, a sometime supporter and sometime critic of artistic freedom, is genuinely suffering from a physical, and not a political, illness. However, some diplomats suggest that he has been forced to adopt a low profile because of party faction-fighting in which he is losing.

Fang, who spoke freely with several foreign correspondents, before his political demise, was favourably profiled in a government-run magazine only a month ago. He said that he felt an obligation to speak out on important issues but he certainly did not push a totally Westernisation theory, which is one of his alleged crimes.

The professor, who has apparently been mockingly called "China's Sakharov" by senior officials, was attacked publicly for the first time on Sunday in an editorial in the influential Guangming Daily. He had been cited by some protesting students as a source of inspiration, and a protest poster at Peking University suggested that Fang could be chosen as the country's President if China held an election.

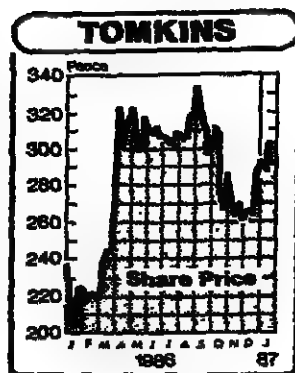
A Communist Party spokesman said yesterday that Fang "advocated bourgeois liberalisation, defamed the party's leadership and party officials, negated the achievements of the party over the past decades, and slandered the socialist system."

"He also sowed discord among the party and the intellectuals, especially the young intellectuals. What Fang has done runs counter to the fundamental interests of the people and the party. It is intolerable," the spokesman said. Both Fang and Guan have been assigned work as researchers at the Peking Observatory.

A leading party theoretician, Su Shuangli, who wrote Sunday's attack on Fang, said in an interview yesterday that propaganda officials are under fire

## THE LEX COLUMN

## No venom in the Snake



Tomkins admits. But if the overall balance (and earnings growth) looks as good as it does for Tomkins then merely releasing the odd return on capital figure will simply fuel latent anti-conglomerate suspicions. Nevertheless the evidence of just how much scope there is for Tomkins to tighten up the Pegler balance sheet was enough to whet the market's appetite yesterday, and the shares closed up 10p at 304p.

## Owens-Illinois

For a management to rebuff the alluring prospect of a leveraged buy-out offer from Kohlberg, Kravis has taken some doing in the last couple of years. If the stock is far enough below book value to start with, shareholders appear to be offered a reasonable deal, while the managers and Kohlberg's investors stand to get rich. The stand taken by Owens-Illinois, deciding to buy in a third of its equity and sell off the forest products division to pay down the debt, may possibly mark the first stirrings of a sense that managers may owe their shareholders and employees a better deal than the buyout option seemed likely to achieve.

To a management with a company torn on its conscience, and a desire to undo the diversification into timberlands in any event, taking the company private and gearing it up may have seemed an unnecessarily unpalatable detour. It was also not the only way of obtaining some extra money-up options for the directors.

## Bryant trustees

The better-looking principle that all is fair in love and takeovers seems to have won three new adherents, trustees of the Bryant pension fund. Previously blind to the charms of Bryant equity, these trustees have recently decided to invest 10 per cent of the fund in Bryant shares. As is the way with latecomers, the Bryant pensioners have not exactly got in on the ground floor; they have, indeed, bought some of their holdings above the price set by the offer from English China Clay. It is hard to see how this policy can achieve anything but performance well below the average, particularly if Bryant retains its independence. It almost renders comment superfluous to say that the trustees of the Bryant fund are better-known in their capacity as directors of Bryant.

## Pentagon export curbs cost \$9bn

BY NANCY DUNNIE IN WASHINGTON

PENTAGON controls over the export of strategically sensitive high technology products are costing the US \$9bn in lost revenues a year and 180,000 jobs, according to a study prepared by the prestigious National Academy of Sciences.

The long-awaited report, prepared by an Academy panel, recommends that the Pentagon loosen its "de facto veto" over sales of high technology exports, according to the Washington Post newspaper which obtained a copy of the still-unreleased study.

The report is likely to reinforce pressure for a relaxation in US export controls over high technology

products. It comes as American high technology manufacturers are preparing to mount an intense lobbying campaign in Congress to ease export restrictions on the grounds that they are hurting US competitiveness.

US manufacturers claim they are losing sales to European and Japanese competitors because the Pentagon imposes excessive restrictions on exports in an effort to ensure they do not reach the Eastern bloc.

The new study supports the business view, saying that controls "have greater potential to damage the US economy than... reduce ex-

ports to the Eastern bloc." It says that controls should accord greater importance to maintaining "US technical strength, economic vigour and Allied unity."

Many other studies have reached similar conclusions. However, the latest one is expected to carry particular weight because the Academy committee includes former defence and intelligence officials. It is headed by Mr Lew Allen Jr, former Air Force Chief of Staff.

Another member, Mr Bobby Ray Inman, former director of the National Security Agency, was responsible for the release of a Central Intelligence Agency report in 1982

which raised the alarm about a "haemorrhage" of US technology to the Soviet Union.

The report backs the industry line in asserting that export controls have added to the US trade deficit. It found in Europe "a clear trend toward non-US sources" and found that in the view of Europeans the US was not a credible supplier.

A recent study by the Pentagon estimated that the US had saved \$7.3bn to \$14.6bn because export controls had denied Moscow certain technologies. The Academy panel, however, said the Pentagon had refused to supply information backing up its estimates.

## Arctic weather engulfs Europe

Continued from Page 1

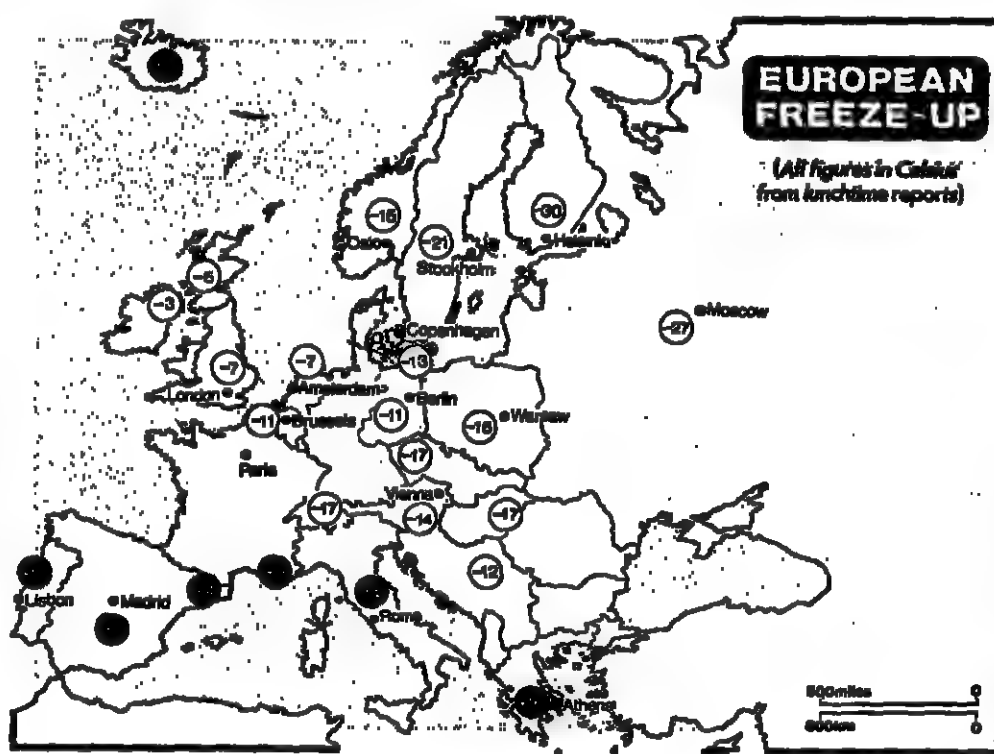
earnings. However, the cold weather elsewhere in Europe will help strengthen the oil price giving a badly needed boost to Soviet foreign trade in 1987.

Crude oil from Britain's North Sea Brent field was selling at \$18.80 a barrel yesterday, up 50 cents.

France's hopes of getting through the day without power cuts were dashed yesterday as sub-zero temperatures overloaded circuits and damaged power stations, causing severe cuts in Brittany and the Paris region.

Temperatures reached a record -33°C at Moutiers, in the Doubs region near the Swiss border. Paris suffered its coldest night since 1895, with a temperature of -12°C.

In West Germany, a country well used to coping with snow, the icy conditions disrupted public transport. Hardest hit were Hamburg and other northern regions where the weather caused traffic jams.



## EUROPEAN FREEZE-UP

(All figures in Celsius from lunchtime reports)

## Oil prices rise on both sides of Atlantic

BY MAX WILKINSON, RESOURCES EDITOR, IN LONDON

THE bitterly cold weather throughout Western Europe, with the promise of a continued wintry spell, helped push up prices for crude oil and refined products on both sides of the Atlantic yesterday.

The spot price of Brent crude for February delivery rose 40 cents to \$18.78 per barrel, while in the US, the spot price of West Texas Intermediate blend reached \$19.20 in brisk trading for a time, before falling back to about \$19 per barrel by mid-morning.

Traders reported that buying demand from Western Europe had put pressure on supplies usually available to the US. Demand for petroleum products, particularly heating oil, was also strong, with prices firm.

Latest statistics from the US Energy Department show that US domestic production of oil has fallen by 8.5 per cent, or an average of 800,000 barrels a day, since the oil price started to collapse a year ago. This is a larger fall than was generally estimated and is likely to help stabilise prices at around present levels.

Demand for crude among European refiners has been strong, despite the existence of large stocks, partly because oil companies have been reluctant to enter into longer term fixed price contracts with Opec (Organisation of Petroleum Exporting Countries) producers.

Since the smaller independent petrol retailers buy in their supplies at close to the Rotterdam spot

prices, the market pressure on the major integrated companies has recently eased considerably.

Esso's decision to raise prices was considered premature by some in the oil industry, since a rise in crude prices takes about a month to flow through into the cost of products.

However, Esso appears convinced that the Opec decision in December to cut output in 1987 would be effective in pushing prices back up to the organisation's target of around \$18 per barrel - for a while at least.

Consequently they have been anxious to secure as much crude as possible on the spot market before the present system of "netback"

pricing is replaced by a fixed price regime for Opec crudes next month. In the UK, the rise in crude oil prices and the firmness of petrol prices on the Rotterdam spot market encouraged two big oil companies to raise prices at the petrol pumps.

Esso led the way with the announcement of a 9p (9 cents) per gallon increase in the price of four star petrol to around 175.5p from today. Mobil followed, and the other major petrol retailers are also expected to raise prices soon.

Some companies had been hoping for a 10p per gallon rise to reflect the increase in crude prices from around \$15 per barrel last autumn to more than \$18 now.

Oil prices, Page 34

## World Weather

Area	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Algeria	14	12	C	14	12	C	14	12	C
Amman	17	15	C	17	15	C	17	15	C
Baghdad	18	16	C	18	16	C	18	16	C
Bombay	28	26	C	28	26	C	28	26	C
Buenos Aires	12	10	C	12	10	C	12	10	C
Calcutta	28	26	C	28	26	C	28	26	C
Cairo	18	16	C	18	16	C	18	16	C
Cardiff	12	10	C	12	10	C	12	10	C
Chennai	28	26	C	28	26	C	28	26	C
Copenhagen	12	10	C	12	10	C	12	10	C
Dublin	12	10	C	12	10	C	12	10	C
Edinburgh	12	10	C	12	10	C	12	10	C
Geneva	12	10	C	12	10	C	12	10	C
Helsinki	12	10	C	12	10	C	12	10	C
London	12	10	C	12	10	C	12	10	C
Lyons	12	10	C	12	10	C	12	10	C
Madrid	12	10	C	12	10	C	12	10	C
Moscow	12	10	C	12	10	C	12	10	C
Paris	12	10	C	12	10	C	12	10	C
Rome	12	10	C	12	10	C	12	10	C
Stockholm	12	10	C	12	10	C	12	10	C
Toronto	12	10	C	12	10	C	12	10	C
Warsaw	12	10	C	12	10	C	12	10	C
Washington	12	10	C	12	10	C	12	10	C
Zurich	12	10	C	12	10	C	12	10	C

## Judge clears non-sterling capital

BY RAYMOND HUGHES AND DAVID LASCELLES IN LONDON

A BRITISH High Court judge yesterday finally removed doubts about the legality of UK-registered companies changing from sterling to non-sterling capital by granting requests from the UK subsidiaries of two US institutions.

The approval to switch into dollars, granted by Mr Justice Vinelott to Merrill Lynch International Bank (MLIB) and five English subsidiaries of Manufacturers Hanover Corporation is expected to pave the way for requests by other banks seeking to protect themselves from currency fluctuations in this way.

Merrill Lynch immediately announced last night that it had ap-

proved an increase of MLIB's capital of \$45m, bringing it to about \$80m. Mr Michael Giles, managing director, said: "The change in the capital base to US dollars will enable MLIB to plan ahead better, as most of our business is in dollars."

The capital will be used to expand the bank's private banking and foreign exchange business, he said.

The judge endorsed a ruling made last month by Mr Justice Harman, who held that Scandinavian Bank Group could have a multi-currency share capital.

That decision, Mr Justice Vinelott said, plainly accorded with the law and it must follow that a company

could have a single foreign currency share capital.

None of the difficulties with which Mr Justice Harman had had to grapple really applied to a single foreign currency case, provided the company concerned was not a public limited company, which had to have a £50,000 (\$75,500) authorised minimum capital in sterling, Mr Justice Vinelott said.

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"No.1 in Europe yet again"	44.0	76
DECEMBER		
"Europe 86, from strength to strength"	47.1	88
JANUARY 1986		
"The No.1 Unit Trust"	52.7	111
JULY		
"Europe, Go for the Encore"	62.8	151
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# SECTION II - COMPANIES AND MARKETS

# FINANCIAL TIMES

Tuesday January 13 1987

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## Owens-Illinois rejects plan for \$3.3bn buyout

BY JAMES BUCHAN IN NEW YORK

OWENS-ILLINOIS, the largest maker of glass containers in the US, yesterday rejected a proposal from Kohlberg Kravis Roberts, the Wall Street investment firm, to take the company private in a \$3.3bn leveraged buyout.

The announcement from Owens-Illinois - the packaging company based in Toledo, Ohio, which has expanded into health care and financial services - surprised Wall Street, where Kohlberg's \$55 a share offer was assumed to be friendly.

Owens' share price immediately fell 44¢, or almost 10 per cent, to \$54.60. Owens said Kohlberg had agreed not to buy any of the group's securities until the end of 1988.

Owens, a constituent of the Dow Jones industrial average index, said that a committee of outside directors had unanimously recom-

mended rejection. The board of Owens, which includes managers invited to take part in the Kohlberg plan, said it believed that "greater long-term values can be achieved for stockholders through the disposal of about \$180m in assets. The repurchase of a third of the shares outstanding and new operational cost controls expected to save \$2m a year.

In a leveraged buyout, a group of investors and management borrow heavily against the company's assets and cash-flow to buy shares out. The debt is repaid through operational funds or the sale of assets.

Owens' rejection of the Kohlberg offer is regarded on Wall Street as significant for the recent spate of corporate takeovers and buyouts. "A major Dow stock is saying it can do everything a take-out specialist

can do and still retain control," said Mr Arthur Stupp, an analyst with Prescott, Ball & Turben in Cleveland.

Owens said that the asset disposals would include its forest products business. Analysts believe that Owens' timberlands, mills and corrugated-box factories would raise about \$650m. However, Owens said that it remained committed to its fast-growing consumer products business.

The company also said that it would buy back 20m shares. Owens, which earned \$150m, or \$1.63 a share, on sales of \$2.1bn in 1985, said that it expected to earn \$2.90 to \$3.95 a share in 1986 and \$4 a share before extraordinary charges in 1987. Management is seeking to increase per-share earnings by 12 per cent compound to 1991.

## Aids drug move by US group

By Our New York Staff

ICN Pharmaceuticals, the California drug company specialising in anti-viral research, said yesterday that it would file an application with the US Food and Drug Administration (FDA) to permit the use of its drug Zalcitabine for the treatment of an early form of infection by the AIDS virus.

ICN also submitted its decision last Friday to release results of clinical trials, which the company said showed that Zalcitabine, also known as Vidarabine, was effective in preventing the development of AIDS in some patients suffering from LAs, an inflammation of the lymph nodes that has often progressed to the disease, which is fatal.

After the UK's Wellcome Foundation, whose Aids drug AZT goes before FDA approval hearings on Friday, ICN's share price has varied widely according to market expectations of progress in the treatment of Aids. Rising from just over \$4, or nearly 15 per cent, last Thursday, ICN's stock price fell \$4 to \$21.50 after a press conference on Friday, amid considerable confusion about the value of the clinical tests. It rose 50¢ in early trading yesterday.

ICN said that during the tests 100 patients suffering from LAs had received daily doses of Zalcitabine or a placebo over 24 weeks. Of 32 patients who received 50mg doses of Zalcitabine a day, none developed Aids. Six of 32 patients receiving 100mg developed the disease and 10 of the 56 prescribed the placebo progressed to Aids.

Analysts and doctors complained that the release of the findings was premature and that they were confused by the sharp improvement in results achieved by a small difference of the Zalcitabine dosage. ICN said yesterday that it was obliged to inform patients of the results and therefore had to publish them to quell rumours.

## David Owen examines the \$980m purchase of Hilton hotels

## UAL travels towards its target

UAL's objective to create the premier international travel services company bears an uneasy resemblance to the aims of another Chicago company. Boeing's one-time goal was to emerge as the world's premier marketer of food and consumer products.

A much-humiliated Restrictive is, of course, now hurriedly restructuring after being taken private in last year's huge \$2.2bn leveraged buyout by Kohlberg, Kravis Roberts. UAL, the holding company for United Airlines, Hertz Rent-A-Car and Westin Hotels, by contrast, took another step towards fulfilling its ultimate ambition with the recent \$980m purchase of the Hilton International hotel chain from Transworld. The deal followed the withdrawal of a \$975m bid by KLM when the Dutch flag airline's supervisory board unexpectedly vetoed the proposed acquisition.

The move is indicative of the group's continued capacity to finance its ambitions, notwithstanding a sharp increase in overall indebtedness during 1985. Long-term debt rose 107 per cent from year earlier levels to \$2.65bn or 56.7 per cent of total capitalisation in 1985, a year in which UAL, which is chaired by Mr Richard Ferris, acquired both Hertz and Pan Am's



London's Hilton Hotel which was recently acquired by UAL and its chairman, Richard Ferris



have held reasonably steady between \$32.2m and \$74.9m over the five years since 1981. Meanwhile, although first nine-month 1986 operating earnings at Hilton International are regarded by some analysts as disappointing at \$43m on revenues of \$540m UAL points out that the chain has been profitable on an operating basis each year since its foundation in 1949.

This is in stark contrast to the situation at United Airlines itself where operating earnings have swung erratically between a gain of \$584.1m in 1984 and a loss of \$242.7m in 1985, with obvious repercussions for the group's overall profitability.

UAL's Mr Goring explains this discrepancy in what are, after all, directly-related businesses by pointing out that the airline's problems have generally stemmed from heavy discounting in the wake of the industry's 1978 deregulation. This discounting has actually served to attract more, not fewer passengers. Hence the continued heavy demand and more consistent levels of profitability for related services, such as hotels and hire cars, the fee structures of which have been less excessively eroded.

Many analysts now believe, in the words of Shearson Lehman's Mr Robert Joeschke, that "airline



Pacific Division and placed a \$10m aircraft order with Boeing.

While the Hilton chain will initially contribute only about 7.5 per cent of corporate operating revenue, the move is significant both for further reducing the group's reliance on the turbulent airline sector and greatly expanding UAL's geographical range in the luxury hotel market.

The Hilton chain's substantial European and Asian interests are both particularly attractive to UAL, although for rather different reasons.

The European facilities will help shore up what has (Hertz expected) up to now been something of a gap in its global coverage - a gap which the group is further endeavouring to rectify by, in the words of company spokesman, Mr Matt Goring, "pushing Apollo" (UAL's computer reservation service). Domestically, close to a third of all travel agencies use Apollo for making airline, hotel and car rental bookings.

The Asian hotels, meanwhile, will

further bolster the company's considerable presence in the fast-growing Pacific region travel services market. This presence has already been beefed up substantially by the earlier Pan Am Pacific Division purchase.

Even with Hilton included in the UAL stable, United Airlines will still account for some 71 per cent of corporate operating revenues, compared with 17 per cent for Hertz and 12 per cent for the two hotel chains.

The stabilising effect of the group's expanding clutch of non-airline businesses on the corporate balance sheet should not be underestimated, however. While, as analysts point out, there is nothing counter-cyclical in UAL's portfolio of businesses which are still exclusively travel-related, the hotel companies in particular have been relatively consistent earners in recent years - despite the sector's own problems of overcapacity and increasingly competitive discounting in many areas.

Operating earnings at Westin



earnings may be less cyclical over time."

While UAL's 1986 net profits, running at a disappointing \$25.2m - 57 cents a share - in the first nine months, are unlikely to set prices racing, many - including Mr Joeschke - evidently feel that it may be a different story in 1987. "I estimate that UAL will make 50¢ per share this year," he says.

## Loral agrees to buy Goodyear Aerospace in \$640m cash deal

BY WILLIAM HALL IN NEW YORK

LOREAL, the fast-growing US defence electronics group, yesterday announced a definitive agreement to buy Goodyear Aerospace, one of the US tyre giant's most successful operations, for \$640m in cash.

The acquisition is a major expansion for New York-based Loral, which last year lost out to Lockheed in a \$1.2bn takeover bid for Sanders Associates, a bigger but less profitable rival.

Mr Bernard Schwartz, Loral's chief executive, described the acquisition as a significant step in the expansion of his group's presence in the defence electronics market. Goodyear Aerospace is involved in reconnaissance and radar systems, tactical weapon systems, mobile launchers and weapon delivery systems as well as military aircraft wheels and brakes. Among the contracts for which it is competing is a multi-billion dollar programme to build naval ships.

It is an excellent strategic and technical fit with Loral and offers opportunities for synergies that should result from combining our highly technical skills and programme bases," said Mr Schwartz. The acquisition will boost Loral's revenues to \$1.5bn - 90 per cent concentrated in military electronics - and will result in a total order backlog of \$2.5m. Loral's shares rose

by 5¢ to \$40 in early trading yesterday.

In its last financial year ending March 31 1986 Loral earned \$52m, or \$2.21 a share, on sales of \$504m. Goodyear Aerospace had 1985 revenues of \$600m, pre-tax earnings of \$35m and an order backlog of \$600m.

Goodyear put its 75-year-old aerospace operations up for sale as part of a restructuring plan to defeat last year's hostile \$5.3bn takeover bid from Sir James Goldsmith, the Anglo-French financier. As part of its successful defeat of Sir James, Goodyear agreed to buy back up to 40m of its shares for \$25m.

## Pharmacia raises \$33m for research

By Our Financial Staff

PHARMACIA, the Swedish pharmaceutical and biotechnology group, has raised \$33m (\$33.5m) from Swedish companies to finance its research into biosensors.

Biosensors are used to detect and measure biochemical substances such as proteins in blood serum and other body fluids. They can detect substances which are present in very low concentrations almost instantaneously, and so are faster than the traditional methods of analysis.

Pharmacia has been working on biosensor research for several years. However, while the group plans to spend about \$80m on various research projects in 1987, it needed additional outside financing for the biosensors project so that research would not be delayed, giving an edge to competitors.

The financing for Pharmacia Sensor, a limited partnership company, was raised through a private placement with about 20 different insurance, investment, and industrial companies, which put up \$33m - \$33.5m each.

Mr Delbert Yocum, executive vice president and chief operating officer, said the launch of the latest version completes a revitalisation of the Apple II range which was begun in September last year with the 11e, the addition of a memory expansion module for the 11e and several new peripherals.

The suggested retail price for the 11e is \$829, the same as that for the existing model. The updated version has an expanded keyboard with a built-in numeric keypad and includes improved training and reference materials.

The new 11e will be available immediately. The Apple IIgs upgrade kit, which will be available this month at \$499 plus installation costs, gives the 11e the same capabilities as the 11gs model and maintains compatibility with more than 90 per cent of the available Apple II programs.

Separately, Apple has named Mr John P. Karsis as vice president and general counsel.

## Teledyne earnings hit by lower asset sales

BY ANATOLE KALETSKY IN NEW YORK

TELEDYNE, the Los Angeles-based manufacturing and financial services conglomerate, reported net profits of \$47m in the last quarter of 1986, against \$96.6m the year before. Full-year net profits were \$238.3m, or \$20.35 a share, against last year's \$545.6m, or \$46.08 a share.

The main reason for the decline has been different rates of asset disposals in the two periods, with capital gains from the sale of investments amounting to only \$4.2m in the fourth quarter of 1986, against \$30.5m in 1985. The year-on fourth-quarter figure also included income of \$2.4m from the Argonaut group of insurance companies, which Teledyne spun off to its shareholders last September.

## Apple expands range

BY OUR FINANCIAL STAFF

APPLE COMPUTER, the California-based computer maker, has introduced an updated version of its long-lived 11e Personal Computer.

Mr Delbert Yocum, executive vice president and chief operating officer, said the launch of the latest version completes a revitalisation of the Apple II range which was begun in September last year with the 11e, the addition of a memory expansion module for the 11e and several new peripherals.

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Disregarding capital gains and Argonaut earnings, Teledyne's net profit declined from \$44.5m in the fourth quarter of 1985 to \$43.7m in the latest quarter. Results for the whole of 1985 were also affected by a \$61.7m capital distribution from Loral Industries, in which Teledyne is a major shareholder.

Excluding all capital gains, Argonaut earnings and the Loral distribution, the 1986 net profit came to \$204.6m, or \$17.46 a share, against \$226.8m, or \$19.26, in 1985.

Teledyne's operations encompass high-tech industries such as controls, communications and aerospace, and traditional manufacturing operations such as iron castings and financial services.

## Lower prices hit profits at Rand Mines

By Kenneth Marston, Mining Editor

RAND MINES, the South African mining group, reports lower profits from its gold mines for the December quarter of last year. This reflects lower bottom prices received - compared with the record levels of the preceding quarter - and a fall in gold output.

Harmony mine, producing gold and uranium, has maintained its ore output, but gold production has suffered from a fall in the ore grade. Uranium revenue is also down, but the fall has been cushioned by a tax re-employment following a tax change in the previous quarter.

A fall in the tonnage milled at Kyevoor has been reflected in a sharper-than-expected rise in unit costs. The gold price received, meanwhile, has fallen over the latest quarter to \$295.93 (\$4.07, at commercial rates) per kilogramme from \$305.92.

The marginal Durban Deep mine reports a fall in both production and gold prices received last sharply higher capital spending.

Last Rand Preliminary production is also down, and the result not less for the quarter is larger than the previous three months, when there was a tax rebate to be taken into account.

The platinum certificates are quoted and traded in US dollars, and the minimum order is 10 ounces. Bid-ask spreads are \$3 with normal price fluctuations being 10 cents.

The certificates can be bought with 25 per cent down, like gold and silver certificates now traded on the ME. Registration is handled electronically through a book-based Canadian depository for securities. Taking possession of an actual certificate incurs a service charge. Transactions will be settled on the second business day after the order is executed.

Japanese steel firms are asking further price and volume concessions from Quinria Col, the Denison Mines subsidiary which has a 15-year contract to deliver 5m tonnes of metal annually at a current base price of \$102 a tonne from its British Columbia plant.

The Government is seeking about C\$300m (\$385m) for Teledyne. The Government says Teledyne Canada can bid in partnership with other interests, but its total stake must not exceed 40 per cent. None of the bids submitted by Friday involved Teledyne Canada.

The Montreal Exchange's (ME) new platinum certificates will allow investors to trade in the metal without having to take physical delivery, saving costs and delays associated with storage and verification.

Traders can choose beyond buying or selling physical commodity or trading platinum futures.

Guardian Trust in Montreal is handling posting of prices during trading hours and guarantees any order up to 100 troy ounces will be

## Daishowa Paper to move into Canada

BY ROBERT GIBBENS IN MONTREAL

DAISHOWA Paper Manufacturing, Japan's largest paper maker, is expected to buy St Anne Neekawiculp and Paper Company, a medium-sized pulp producer, near Fredericton, New Brunswick in Canada, on February 13, according to a report in the US for a sum reported to be \$100m (US\$120m).

Daishowa is already a major customer of the St Anne mill, and few startling changes will occur in the short term.

The rise in the yen has made industrial investment in Canada more attractive to Japanese companies. 1980 Oji Paper Company and Itai Co bought a third of the big Abitibi, MB, newspaper mill of P, a subsidiary of Canadian Pacific and has since become a major customer.

The Hudson's Bay Co, Canada's best company, is getting out of the lumber business.

Management of Hudson's Bay Co

Fur Sales Canada, the fur auction subsidiary, plans to buy the company for an undisclosed sum. The Canada Mink Breeders Association and the Canada Fur Breeders Association will have equity interests in the continuing operation.

The deal carries use of the Hudson's Bay name for five years.

Bidding for Teledyne Canada, the state-owned corporation which handles all Canadian telecommunications overseas, has closed, and the Government hopes privatisation can be completed by late February.

Bidders include Canadian Pacific, Power Corporation of Canada and a group led by the Caisse de Depot et Placement du Quebec, investment arm of the Quebec Pension Plan and, it is believed, the Belzberg interests of Vancouver. Others may have entered bids by the deadline late on Friday.

The Government has disqualified

a bid by the telephone companies through Telecom Canada for 40 per cent of Teledyne, saying it did not meet several conditions.


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Holders of Floating Rate Subordinated Notes of the above issue are hereby notified that for the interest period from 14th January, 1987 to 14th April, 1987 the following information is relevant:

1. Applicable Interest rate: 6 1/2% per annum
2. Coupon Amount payable on Interest Payment Date: US \$166.25 per US \$10,000 Nominal
3. Interest Payment Date: 14th April, 1987

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## Republic of Iceland U.S. \$125,000,000

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Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 14th January, 1987 to 14th July, 1987 the following information will apply:

1. Rate of Interest: 6 1/2% per annum
2. Interest Amount payable on Interest Payment Date: US \$314.24 per US \$10,000 Nominal or US \$7,855.90 per US \$250,000 Nominal
3. Interest Payment Date: 14th July, 1987

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# INTERNATIONAL COMPANIES and FINANCE

## Thai bank told to write down capital by 95%

By Peter Ungphakorn in Bangkok

THE BANK of Thailand, the country's central bank, yesterday ordered Siam City Bank, ranked ninth out of 16 Thai commercial banks, to reduce the value of its capital by 95 per cent and launched a rescue operation that should bring in new management.

The move comes several days later than expected as the troubled bank's shareholders, dominated by the Mahadumrongkul family, tried to negotiate further postponements in the deadline to increase capital from 800m baht (\$20.66m) to 1.5bn baht. The original deadline was December 31, with another 500m baht required by the end of 1987. Existing capital will now only be worth 40m baht.

Precise details of the bank's difficulties are still hard to obtain, although bad and doubtful debts are estimated at about 30m baht. Mr Kam-chorn Sathirakul, the central bank governor, said Siam City's nominal 800m baht capital did not cover accumulated losses.

The first phase of the rescue package involved issuing 1.5bn baht in new shares. Existing shareholders have two weeks in which to take up options, and then new shareholders will be sought. The central bank is prepared to use up to 500m baht of a special rescue fund to buy unsold shares and will appoint "co-ordinators and advisors."

## HWT bid delayed by legal action

BY CHRIS SHERWELL IN SYDNEY

COURTS IN Melbourne and Brisbane yesterday adjourned hearings initiated by Mr Robert Holmes a Court as part of a legal effort to stop Mr Rupert Murdoch taking over the Herald and Weekly Times (HWT) media group.

Mr Holmes a Court, whose competing offer for HWT was superseded by Mr Murdoch's improved bid last Friday, worth some A\$2.25bn (US\$1.5bn), sought a permanent injunction to prevent Mr Murdoch, as a US citizen, acquiring more than 15 per cent of the group. He has won a temporary injunction. Existing rules limit foreign ownership of broadcasting com-

panies to 15 per cent. Mr Murdoch is Australian-born, but took out US citizenship when he expanded his media business empire to America. HWT owns five radio and two television stations.

Mr Murdoch's New Corporation, in its takeover document for HWT, has admitted that it would technically contravene the law, but says it has received legal advice that selling the broadcasting assets within six months would make suspension of the licences unlikely.

New Corporation has also indicated that its ownership structure has undergone a change, presumably to circum-

vent the problem.

In Brisbane lawyers for Mr Holmes a Court yesterday argued that Mr Murdoch's separate offer last Friday for Queensland Press, the largest shareholder in HWT, would have given Queensland Press shareholders an unfair advantage over other shareholders in HWT.

They said shareholders should decide at a meeting whether to accept Mr Murdoch's bid or an earlier one from the Sydney-based Fairfax Group.

Mr Murdoch's offer of A\$23 a share eclipsed one from Fairfax of A\$20. It was conditional on Queensland Press accepting Mr

Murdoch's latest offer for HWT and was subject to a 5 pm deadline.

The Queensland Press board decided it was inappropriate to respond, citing the legal move in the Melbourne court by Mr Holmes a Court. The Murdoch bid is now said to have lapsed. Queensland Press owns 24 per cent of HWT. Mr Murdoch's offer valued the Brisbane company at \$1.05bn.

The action drove Australian share prices yesterday to another record high, with the All Ordinaries index climbing 13.4 points to 1,549.6. Queensland Press shares finished at A\$23.

## HK court gives breathing space to Khoo companies

BY KEVIN HAMELIN IN HONG KONG

THREE companies controlled by Tan Sri Khoo Teck Puat, the besieged Malaysian-born businessman, were yesterday granted a four-week adjournment by Hong Kong's High Court in a case brought by the Brunei Government to recover National Bank of Brunei loans allegedly totalling more than B\$118m (US\$54.4m).

The adjournment provides Tan Sri Khoo with much-needed breathing space to work out a financial settlement with the Brunei Government.

The Brunei Government took control of NBB, in which Tan Sri Khoo and family hold a 70 per cent controlling interest in

November and effectively closed it down, alleging that Mr Khoo had used NBB's assets to defraud the bank.

The Brunei Government had sought a summary judgment against the three Hong Kong-registered Khoo companies — Luxor Hotel, Whitehot Enterprises and National Holdings — on the basis that there were no viable grounds for a defence.

Writs served on the three companies in early December stated that Luxor owed NBB B\$21.12m, national holdings B\$60.13m and Whitehot Enterprises owed B\$37.13m.

## Deak International buys Hong Kong financial group

BY OUR HONG KONG CORRESPONDENT

DEAK INTERNATIONAL, the US-based precious metals and foreign exchange company which rose from the ashes of the now-defunct Deak and Co, has acquired Lark International Finance (LIF), a Hong Kong-based financial services company, for HK\$ 21m (US\$2.7m).

The Hong Kong-based Deak Far East (DFE) as well as Deak companies in Hong Kong and Macao, which had liabilities estimated at US\$25m, were closed in December 1984, at the same time as Deak and Co filed for protection under the US Chapter 11 bankruptcy code.

Hong Kong and Macao creditors of the Deak companies

have yet to receive a settlement but Mr Arkadi Kuhlmann, Deak International chairman and chief executive, yesterday said they should receive 70 cents for every dollar in an agreement that should be concluded in two to three months.

Mr Kuhlmann said Deak International had no legal obligation to DFE or other Deak companies in Hong Kong and Macao, but had offered their creditor committees US\$1.5m in an effort to "win the market back."

Martin Properties, now Deak Morgan, purchased a 75 per cent interest in Deak and Co for more than \$10m last May.

## Bond clarifies asset position

BOND CORPORATION International (BCI), the Hong Kong unit of Australia's Bond Corporation Holdings, yesterday disclaimed a statement reportedly made last week by Mr Alan Bond, its chairman, after BCI's flotation last week. Mr Bond was quoted in Hong Kong as saying that the net asset value of properties owned by the Hong Kong company was HK\$2.60 a share. This contradicted the prospectus, which said the net asset value of the company's properties was HK\$1.10 as of November 30. The Securities Commission said the matter was under review.

## Japanese lines plan big cuts in ship jobs

By Yoko Shikata in Tokyo

TWO OF Japan's leading shipping lines yesterday unveiled plans to shed nearly half their seagoing workforce, as part of a rationalisation programme which is also due to bring large-scale shipyard

restructuring. Nippon Yusen Kaisha (NYK) and Mitsui O.S.K. Lines (MOL) announced cuts in their onboard personnel of 48 per cent and 58 per cent respectively, to be implemented over the next four years. This is in compliance with a programme set in place last summer by the Shipowners' Association of Japan, which saw 14,000 job reductions from the industry's existing 32,000 workforce by the end of the 1980s.

The association has also said that as many as 200 deep-sea vessels out of a total of around 600 may be uneconomical, and NYK yesterday disclosed severance costs in its own fleet.

NYK plans to reduce the number of ships it owns outright or jointly with affiliated shipping companies from a current 100 vessels to between 50 and 70 ships over the next four years. It is to shed 15 unprofitable vessels each year, and newbuilding will be confined to five ships a year. The modernised fleet will be crewed by 1,400, making 1,000 workers redundant, amounting to 45 per cent of the current workforce.

NYK will make up for the cut in number of ships and crewmen by using more chartered vessels and seamen of foreign nationality.

Japan's crews are among the most expensive in the world, three to five times as costly as South East Asian crews. Shipowners have recently accelerated the trend to "flag out" to registers of other nationalities and to employ seafarers from other Asian countries. However, the larger shipping companies have been hampered by Japan's employment system.

Mr Kikuhiko Akahira, president of MOL, said yesterday that his company plans to halve its employment of seamen to 1,000 in the next four years.

# The Sumitomo Bank, Limited

has become a

## Special Limited Partner

of

# Goldman, Sachs & Co.

The undersigned acted as financial advisor to  
The Sumitomo Bank, Limited.

## LAZARD FRÈRES & Co.

December 18, 1986

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Notice of Interest Determination

**Morgan Stanley Group Inc.**

**Floating Rate Notes**

**Due 1993**

Interest on the above securities for the interest period of January 12, 1987 through July 12, 1987 is scheduled to be paid on July 13, 1987 at the interest rate of 6.25% per annum. The interest amount will be \$315.97 per \$10,000 of principal.

The First National Bank of Chicago  
January 13, 1987  
Reference Agent

**CORRECTION OF REDEMPTION NOTICE**

**European Atomic Energy Community (EURATOM)**

**12 1/4% Bonds due February 1990**

Reference is made to the Redemption Notice dated 12 January, 1987 and the numbers listed in paragraph 2. The series listed as 2562/86 should be 2562/85.

All other details are as previously published.

January 13, 1987  
By Citicorp Investment Bank  
(Luxembourg) S.A.  
Principal Paying Agent

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## Leaders in Euro Equity

<p><b>L'ORÉAL</b> 242,788 Certificates of Investment of par value FF 100 each of <b>L'Oréal S.A.</b></p> <p>December, 1986</p>	<p><b>Benetton Group S.p.A.</b> 4,500,000 Shares of Common Stock of par value Lit.500 each of <b>Benetton Group S.p.A.</b></p> <p>August, 1986</p>	<p>5,175,000 Shares <b>Morgan Stanley Group Inc.</b> Common Stock</p> <p>July, 1986</p>
<p>5,000,000 Shares <b>Dominion Securities Limited</b> Common Shares</p> <p>Of the 5,000,000 Shares, 1,000,000 have been purchased for international distribution</p> <p>October, 1986</p>	<p>3,300,000 Shares <b>Trenwick Group Inc.</b> Common Stock</p> <p>Of the 3,300,000 Shares, 800,000 are being offered outside of the United States and Canada</p> <p>June, 1986</p>	<p>5,100,000 Shares <b>ConAgra, Inc.</b> Common Stock</p> <p>1,000,000 Shares are being offered outside of the United States and Canada</p> <p>April, 1986</p>
<p>5,000,000 Shares <b>UAL, Inc.</b> Common Stock</p> <p>1,000,000 Shares are being offered outside of the United States and Canada</p> <p>October, 1986</p>	<p>2,970,000 Shares <b>Shearwater Corporation</b> Common Stock</p> <p>300,000 Shares are being offered outside of the United States and Canada</p> <p>October, 1986</p>	<p>5,500,000 Shares <b>The Travelers Corporation</b> Common Capital Stock</p> <p>1,000,000 Shares are being offered outside of the United States and Canada</p> <p>May, 1986</p>

## Leaders in Equity Warrants and Convertibles

<p><b>Falcons Pass-Through Securities Limited</b> 5,000,000 FALCONS to Purchase 1,500,000 Ordinary Shares of DFL 20 each in Royal Dutch Petroleum Company</p> <p>July, 1986</p>	<p><b>Morgan U.S. \$20,000,000 The Morgan Crucible Company plc</b> 9 1/4% Notes Due 1991 and 4,402,000 Depositary Warrants to subscribe for Ordinary Shares of 25p each</p> <p>December, 1986</p>	<p><b>PIRELLI U.S. \$75,000,000 International Pirelli N.Y.</b> 9 1/4% Guaranteed Notes Due 1993 Guaranteed by Société Internationale Pirelli S.A. with 300,000 Warrants exercisable into Bearer Participation Certificates of Société Internationale Pirelli S.A.</p> <p>December, 1986</p>
<p><b>IBM U.S. \$300,000,000 International Business Machines Corporation</b> 9 1/4% Exchangeable Subordinated Debentures Due 1996 Exchangeable into Common Stock of Intel Corporation</p> <p>March, 1986</p>	<p><b>ECU 20,000,000 Euromobiliare International (Cayman) Limited</b> 6% Convertible Notes Due 1993 Unconditionally guaranteed by and convertible into voting shares of <b>Euromobiliare S.p.A.</b></p> <p>December, 1986</p>	<p><b>FISONS U.S. \$50,000,000 Fisons Finance Netherlands B.V.</b> 5 1/2% Guaranteed Convertible Bonds Due 1991 Guaranteed by and convertible into ordinary shares of <b>Fisons plc</b></p> <p>December, 1986</p>

## Professional Dealers for Quality Issuers Euro-Commercial Paper

<p><b>ARGON N.V.</b> <b>ASPRO NICHOLAS HOLDINGS, INC.</b> (Guaranteed by Euro Gas Corporation) <b>ASSOCIATED CORPORATION OF NORTH AMERICA</b> <b>AUSTRALIAN GUARANTEE CORPORATION</b> <b>AVON CAPITAL CORPORATION</b> <b>BANCA COMMERCIALE ITALIANA</b> <b>BANCO CENTRAL</b> <b>BASF CORPORATION</b> <b>BERGEN BANK A.S.</b> <b>CANADIAN IMPERIAL BANK OF COMMERCE</b> <b>CHRISTIANIA BANK OG KREDITKASSE</b> <b>CREDIT D'EQUIPEMENT DES P.M.E.</b> <b>DEN NORSKE CREDITBANK</b></p>	<p><b>DYNO INDUSTRIES A.S.</b> <b>A.S. EKSPORTFINANS</b> <b>EXPORT DEVELOPMENT CORPORATION</b> <b>GENERAL ELECTRIC COMPANY</b> <b>GENERAL MOTORS ACCEPTANCE CORPORATION</b> <b>GER-TIENNA</b> <b>GESWISSENSCHAFTLICHE ZENTRALBANK AG</b> <b>ISTITUTO BANCARIO SAN PAOLO DI TORINO</b> <b>KINGDOM OF DENMARK</b> <b>JWT GROUP, INC.</b> <b>MARUBENI INTERNATIONAL</b> (Guaranteed by Fuji Bank, Limited) <b>THE MITSUBISHI TRUST AND BANKING CORPORATION</b> (London Branch) <b>MIYUI &amp; CO. INTERNATIONAL (EUROPE) B.V.</b></p>	<p><b>MIYUI &amp; CO. (U.S.A.) INC.</b> <b>MIYUI TRUST &amp; BANKING CO. LTD.</b> (London) <b>MORGAN STANLEY GROUP INC.</b> <b>AS NEVI</b> <b>THE NIPPON CREDIT BANK, LTD. (LONDON)</b> <b>NORDIC INVESTMENT BANK</b> <b>NYNEX CORPORATION</b> <b>OROBANK</b> <b>PACCAR FINANCIAL CORP.</b> <b>PIONEER CONCRETE</b> <b>QANTAS AIRWAYS LIMITED</b> <b>RYN FINANCE OVERSEAS LIMITED</b> <b>THE SAIYAMA BANK, LTD.</b> (London Branch)</p>	<p><b>SKANDIA INTERNATIONAL CAPITAL CORPORATION</b> <b>SKANSKA BANKEN</b> <b>SSA SOCIETE GENERALE ACCEPTANCE NV</b> <b>SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS</b> <b>STATE BANK OF NEW SOUTH WALES</b> <b>THE SUMITOMO TRUST &amp; BANKING CO., LTD.</b> (London Branch) <b>TENNECO INC.</b> <b>TOKAI BANK LIMITED</b> (London) <b>TOTO TRUST &amp; BANKING COMPANY, LIMITED</b> <b>THE UFGIOM COMPANY</b> <b>AB VOLVO</b> <b>WESTPAC BANKING CORPORATION</b> <b>THE YASUDA TRUST &amp; BANKING COMPANY, LIMITED</b></p>
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## Innovation in the Debt Markets

<p><b>DSM</b> <b>NAAMLOZE VENNOOTSCHAP DSM</b> A corporation wholly-owned by the State of The Netherlands 150,000 Warrants to Subscribe for U.S. \$150,000,000 10 1/4% Notes Due 1991</p> <p>June, 1986</p>	<p><b>U.S. \$50,000,000 The Sumitomo Trust &amp; Banking Co., Ltd.</b> Negotiable Floating Rate Certificate of Deposit Due 1991</p> <p>December, 1986</p>	<p><b>DnC U.S. \$300,000,000 Den Norske Creditbank</b> Floating Rate Notes Due 1996 Convertible at the option of Den Norske Creditbank into Primary Capital Perpetual Floating Rate Notes</p> <p>December, 1986</p>
<p><b>£ 10,000,000,000 Kingdom of Denmark</b> Yield Curve Notes Due 1991</p> <p>August, 1986</p>	<p><b>N.V. NEDERLANDSE GASWINE</b> 50,000 ECU Warrants to Subscribe for ECU 50,000,000 7 1/4% Bonds Due 1993 and 125,000 DFLS Warrants to Subscribe for DFLS 125,000,000 6% Bonds Due 1993</p> <p>June, 1986</p>	<p><b>THOMSON Thomson-Brandt International B.V.</b> U.S. \$200,000,000 7 1/4% Convertible Notes Due 1991 Convertible into U.S. \$200,000,000 Floating Rate Notes Due 1991 All unconditionally guaranteed by <b>Thomson S.A.</b></p> <p>December, 1986</p>

**MORGAN STANLEY INTERNATIONAL**  
**1986**







## INTERNATIONAL COMPANIES and FINANCE

## French aircraft group confident

By George Graham in Paris

AEROSPATIALE, the French aircraft producer, suffered an 18 per cent fall in orders in 1986 but expects an "honourable performance" this year.

Mr Henri Martre, Aerospatiale's chairman and chief executive, said new orders had amounted to FF2.85bn (\$45bn) last year, after the exceptional total of FF2.85bn in 1985.

The group's aircraft division was the worst hit with orders falling from FF1.75bn in 1985 to FF1.05bn last year. Mr Martre said it was expected that orders would fall from the exceptionally high level of 1985, when the first orders were recorded for the A320, the short to medium-range aircraft produced by the Airbus consortium which is due to make its first flight next month.

The ATR consortium, which groups Aerospatiale with Aérospatiale of Italy, ended the year with firm orders for 78 of the ATR 42 commuter aircraft.

Helicopter orders rose from FF1.45bn to FF1.75bn last year, with 43 orders for the Super Puma twin-engine helicopter. Orders for tactical missiles fell from FF1.5bn to FF1.2bn.

The strategic systems and space division boosted orders to FF1.55bn from FF1.45bn, thanks to the Eurolink telecommunications satellite programme.

Mr Martre said Aerospatiale's position had been made more difficult by the fall in the value of the dollar, in which aircraft orders are priced, and in the price of oil and primary commodities.

The lower oil price had also damaged the commercial prospects of aircraft such as the Airbus A320 which had been designed with the aim of reducing energy consumption.

Hilary Barnes reports on the decentralisation of Denmark's sixth-biggest bank

## Andelsbanken branches out

ANDELSBANKEN, the Danish commercial bank founded in the 1920s to serve the agricultural co-operative movement and the farmers, has emerged over the past two or three years as one of the high fliers of Danish banking.

The bank is the country's sixth-biggest according to balance sheet total - about DKK 50bn (\$6.8bn) - and is much more than a simple agricultural bank. Danish farmers now account for less than 15 per cent of lending and the co-operatives for about 10 per cent.

Over the past three years, Andelsbanken has doubled its balance sheet and its share of domestic lending. It has pushed rapidly into international business and extended widely the range of customer services.

Over the past two years it had made operating profits, before depreciation and loss provisions, roughly in line with the earnings of banks twice its size. As a return on equity capital, operating profits of DKK 873m for 1985 were 26.9 per cent, compared with 18.3 per cent in 1983 and 21 per cent in 1984. For the first half of 1986 the return was 27.8 per cent.

A radical reorganisation of the bank through extensive decentralisation and the application of ser-

vice-management concepts has made a crucial contribution to the bank's progress.

The bank has 179 branches, organised in 57 area management groups. It employs 3,800.

"We have given the area management extensive self-government," said Mr A. C. Jacobsen, the chief executive. "Each area is set an annual earnings target. Apart from this, the area managements are free to act as they wish."

Areas and branches tended to view growth as the most important criterion of success. So a change of emphasis was also made here. "We changed the criterion from size to earnings and pointed out to managers that earnings are more important," said Mr Jacobsen.

Decentralisation has been taken to exceptional lengths by the standards of the Danish (and any other) banking world, and it does not stop with the area managers. "It goes right down to each individual employee," said Mrs Nyboe Andersen, Mrs Andersen, probably the most senior woman executive in banking in Europe, will succeed Mr Jacobsen next year.

The extent of decentralisation is illustrated by the following points:

- Area managements do not have to observe a uniform price structure

for the services provided by the branches. Area managements are free to adjust their prices to match the terms offered by the dominant local bank;

- Areas are free to choose their own organisational structure, some choosing a narrow management pyramid, others a broader pyramid.
- Some areas emphasise one set of services, such as investment banking, others some other aspect of business;
- All area staff participate in deciding how an area should be organised;
- While there is central marketing to promote and maintain a common identity and public image, areas can also carry out their own marketing and buying services, if they wish, from local advertising bureaux rather than the bank's marketing section.

Control is exercised through a rigorous budgetary surveillance system. So deviations from budgets can quickly be detected and followed up. There is an annual budget planning meeting between area managers and the general management, which is also followed by quarterly meetings.

The reorganisation, begun in 1981 and completed in 1985, required an extensive internal educational programme at senior and junior levels.

"We did not start with a master plan, but with an attitude, and that attitude was that authorities are not what they were and that the bank must adjust to this situation," Mr Jacobsen said.

One of the emotions at Andelsbanken is its shareholding structure. There are almost 120,000 shareholders, more than in any other Danish bank. Each of the 57 bank areas has its own shareholders' association. These associations hold their own meetings at which bank accounts and reports are presented.

The associations elect delegates who are sent to the bank's annual or extraordinary meetings of shareholders, at which each delegate has one vote, however many shares he or she may own. This is a system of organisation very similar to that used in the co-operative movement.

Andelsbanken is proud that its recent development is the bank's own doing, not the work of outside consultants. "We have done it ourselves. We have proceeded gradually, using our own language, our own way of working things out," Mrs Andersen said.

## Insurers hit by rising claims

BY NICK BUNKER IN LONDON

THE WORLD'S insurance industry has to reckon on being hit by a multi-million pound insured loss every four or five days, according to Swiss Reinsurance.

Catastrophes such as major fires, earthquakes and the destruction of civil aircraft have cost insurers more than \$30bn in the past 15 years, the group says in a research report.

But the size and frequency of such losses have both risen steeply during the 1980s. While in the 1970s the average insured catastrophic

loss produced claims of between \$15m and \$30m, the average figure has since increased to between \$30m and \$70m.

The findings are based on the annual loss surveys published each January by Swiss Re, the world's second-biggest specialised reinsurer after Munich Reinsurance.

It has also compiled a "world loss ratio," showing insured losses as a percentage of premiums and indicating that non-life insurance loss ratios fall when economy is favourable and rise when it is in recession.

Between 1979 and 1985 Swiss Re's researchers logged 2,345 major losses and catastrophes, 1.5m fatalities, almost 50m homeless and a presumed material economic loss of about \$700bn.

Three loss sectors - natural catastrophes, major fires and international civil aviation - account for seven-eighths of the insured damage. Civil aviation made up for 21,000 of the deaths, and 396 of the catastrophes.

## Illinois boat builder makes third purchase

By David Owen in Chicago

OUTBOARD MARINE, the Illinois-based marine engine manufacturer, last week agreed to its third acquisition of a US boat builder in less than a month.

The company agreed to purchase privately held Stratos Boats, a Tennessee-based manufacturer of fibreglass power boats, for an undisclosed sum.

The move closely follows the acquisitions of both Carl A. Lowe Industries and Michigan-based Four Winns. The three companies together account for some \$220m in annual sales.

The purchases continue a process of vertical integration in the US marine products sector triggered by the \$775m acquisition of two major boat builders by Brunswick, Outboard Marine's rival, towards the end of last year.

## AccuRay bid wins approval

By Our Financial Staff

ACCURAY, the maker of process-control equipment based in Columbus, Ohio, has accepted an improved offer of \$45 a share, or \$214m, from Combustion Engineering, the US power-generation and industrial equipment maker, which has made a number of acquisitions in process control. James Beahan reports from New York.

The merger cancels an earlier agreement to sell AccuRay for \$40 a share to Hercules, the US chemicals company. Hercules had also sought access to AccuRay's technology for its specialty chemicals and aerospace business. Because of the termination of the agreement, Hercules has been paid \$5m.

In 1985, AccuRay had net income of \$7.8m on sales of \$155m.

## Amax signs Chilean deal

By Our Mining Editor

AMAX, the US diversified natural resources group, has signed an agreement with the government of Chile for the continued evaluation of a project to produce potash, boron and lithium from brines in the northern part of the Salar de Atacama in Chile.

Given a favourable outcome to the evaluation, Amax aims at an initial annual production of 500,000 tonnes of potassium chloride, about 300,000 tonnes of potassium sulphate, 20,000 tonnes of boric acid and 2,000 tonnes of lithium metal equivalents.

These Securities have been placed outside the United States of America  
This announcement appears as a matter of record only



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October 1986

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has joined our firm and has been appointed

Managing Director

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New York/Atlanta/Boston/Chicago/Dallas/Los Angeles/San Francisco  
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January 13, 1987

This announcement appears as a matter of record only.

December 23, 1986



\$45,000,000

Holmes Protection Group, Inc.

8.70% Senior Notes due  
December 15, 1991

This private placement has been arranged  
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NOTICE OF EARLY REDEMPTION  
U.S.\$300,000,000

The Kingdom of Belgium  
Undated Floating Rate Notes

(U.S.\$286,500,000 Undated Notes and U.S.\$13,500,000 converted into 4 Year Notes maturing in August 1993)

Notice is hereby given to the holders of the Undated Notes and the 4 Year Notes in accordance with the provisions of the Fiscal Agency Agreement dated August 10, 1984 (Condition 5 (c) of the Undated Notes and Condition 5 (b) of the 4 Year Notes), the issuer will redeem all the Notes on February 13, 1987 (together called the "Interest Payment Date" and the "Redemption Date") at their principal amount.

Interest will be paid to the persons shown on the Register of Noteholders at the close of business on the fifth day prior to the Interest Payment Date.

Payment of principal will be made on or after the redemption Date at the specified office of the Transfer Agent or the Registrar listed below, upon presentation and surrender of the Notes.

The Notes will become void unless presented for payment within a period of 10 years from the redemption Date.

Fiscal Agent  
Morgan Guaranty Trust Company of New York  
35, Avenue des Arts  
B-1040 BRUSSELS

Transfer Agent  
Morgan Guaranty Trust Company of New York  
35, Avenue des Arts  
B-1040 BRUSSELS

DATED: January 7, 1987.

U.S. \$300,000,000



## Crédit Lyonnais

Subordinated  
Floating Rate Notes Due 2000

Interest Rate 6 3/4% per annum  
Interest Period 12th January 1987  
Interest Amount per U.S. \$10,000 Note due 13th July 1987 U.S. \$312.81

Credit Suisse First Boston Limited  
Reference Agent

GRANVILLE  
SPONSORED SECURITIES

High Low	Company	Price	Change	Div. (p.)	%	P/E
138 118	Am. Brit. Ind. Ord. Ordinary	138	+2	7.3	6.3	8.5
147 121	Am. Brit. Ind. CULS	146	—	10.0	8.9	—
40 28	Amritage and Rhodes	36	—	4.2	12.0	4.3
71 64	S&P 100 Index (NYSE)	71	+0.1	1.4	2.0	10.9
218 198	Borden Hill Group	218	—	4.8	2.1	24.4
87 76	Bryl Technologies	87	—	4.8	4.4	11.5
138 76	CCL Group Ordinary	130	—	2.9	2.2	4.2
107 95	CCL Group 1/2% Conv. Pk.	98	—	15.7	15.9	—
220 148	Carbidebond Ordinary	220	—	8.1	3.4	19.0
83 80	Carbidebond 7 1/2% Pk.	82	—	10.7	11.5	—
128 75	George Blair	104	-1	3.8	4.2	2.3
97 87	Ind. Precision Castings	87	—	8.7	8.9	8.7
178 140	Ile Group	140	—	18.3	13.1	8.0
124 101	Jackson Group	123	—	8.1	8.0	8.4
227 200	James Burroughs	223	—	17.0	6.3	8.1
100 88	James Burroughs Sp. Pl.	89	—	12.3	14.3	—
1028 342	Multichoice NV (Amst)	710	—	—	—	37.2
280 280	Record-Ridway Ordinary	382	—	—	—	8.3
100 88	Record-Ridway 10% Pk.	88	—	14.1	17.0	—
80 67	Robert Jenkins	80	—	—	—	8.8
46 30	Scutronics	46	—	—	—	—
141 87	Torday and Carleila	141	—	5.7	4.0	8.5
240 224	Travian Holdings	326	—	7.8	2.4	8.7
79 42	Unitech Holdings (SE)	79	—	8.3	3.8	12.4
119 85	Weiser Alexander	119	—	5.0	4.2	11.4
200 180	W. S. Yates	185	—	17.4	8.9	19.6
88 67	West Yorks. Ind. Hoop. (USM)	88	—	5.5	5.8	12.7

Granville & Company Limited  
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Granville Davies Coleman Limited  
27 Love Lane, London EC3R 8DT  
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Member of the Stock Exchange



## crédit foncier de france

£100,000,000

Guaranteed Floating Rate Notes 2000

unconditionally guaranteed, as to payment  
of principal and interest, by

The Republic of France

In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 9th January, 1987 to 9th April, 1987, the Notes will bear interest at the rate of 11 1/4% per cent. per annum. Coupon No. 9 will therefore be payable at the rate of £693.49 per coupon from 9th April, 1987.

S.G. Warburg & Co. Ltd.  
Agent Bank

STOCKHOLDERS FAN EAST  
INVESTMENT INC.

Net Asset Value  
31st December 1986  
\$5.30  
per share (unaudited)

ENERGY RESOURCES  
SERVICES INCORPORATED

Net Asset Value  
31st December 1986  
\$8.05  
per share (unaudited)

THE MORTGAGE BANK  
AND FINANCIAL  
ADMINISTRATION  
AGENCY OF THE  
KINGDOM OF DENMARK

\$50,000,000 Guaranteed Floating  
Rate Notes Due 1994  
Series 91  
Unconditionally  
guaranteed by  
THE KINGDOM OF DENMARK

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months interest period from 9th January 1987 the Notes will carry a rate of interest of 11 1/4% per annum. The subsequent Interest Payment Date will be 9th April 1987. The Coupon Amount per \$5,000 will be \$283.47 payable against Surrender of Coupon No. 12.

Handover Bank Limited  
Agent Bank

£200,000,000

Nationwide  
Building Society

Floating Rate Notes Due 1995

Interest Rate 11 1/4% per annum  
Interest Period 8th January 1987  
Interest Amount per £5,000 Note due 8th April 1987 £138.70

Credit Suisse First Boston Limited  
Agent Bank

U.S. \$600,000,000



## Banque Nationale de Paris

Partly Paid Registered  
Floating Rate Notes Due 1995

Interest Rate 6.175% p.a.  
Aggregate Rate 1.070833% p.a.  
Interest Period 12th January 1987  
Interest Amount per U.S. \$250,000 Note due 15th July 1987 U.S. \$8,209.72

Credit Suisse First Boston Limited  
Agent Bank

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## UK COMPANY NEWS

# Tesco withdraws from auction for Safeway

By NIKKI TAIT

Tesco, one of Britain's largest supermarket chains, yesterday ruled itself out of the bidding for Safeway Stores, the British arm of the US supermarket chain.

Mr Ian MacLaurin, chairman of Tesco, said the company had taken a good look at the 181 store group. But he continued, "It's not for us. The price is going to be high and if we're looking at our own development programme—which is excellent—we don't need the name of Safeway."

The sale of Safeway's UK stores is part of the American parent company's plan to raise funds to meet interest payments on its \$4.7bn debt, following a leveraged buy-out of the company. The sale was formally announced at the end of November, and is being handled by investment house, Morgan Stanley.

sale price have ranged from \$900m to \$750m.

Tesco's withdrawal from the auction bodes well for Argill Group, the chain run by Mr Jimmy Gulliver under the Presto name. Argill is known to be interested—the acquisition of Safeway would give it a more upmarket image and greater exposure in the South-East. There would be some overlap in Scottish stores, although grounds for referring a deal with Argill to the Monopolies Commission are probably slimmer than for most other high street chains.

Other possible bidders include Dec Corporation—probably too busy digesting acquisitions at present—or possibly an overseas stores group. There have been suggestions that Morgan Stanley wants bidders to confirm an interest by mid-January. It was originally thought that

Safeway offered Tesco a number of good sites which could have expanded the group's coverage, upped market share and brought economies of scale. The UK arm of the Safeway chain has an impressive profits record, and recently reported \$44m pre-tax in the year to October on sales topping \$1bn.

However, according to Mr MacLaurin, only 20 of the Safeway stores matched Tesco's development criteria. Most, he added, were small compared with the supermarkets which the group is looking to develop.

He denied that the group had been deterred by the possibility of a Monopolies reference. Tesco, which currently operates some 375 stores, has around 13.5 per cent of the food-retailing market, and Safeway might add a further 9.5 per cent.

## Hawley to reorganise via £255m disposals

By Richard Tomkins

Hawley, the services group chaired by Mr Michael Ashcroft, is to undergo a substantial reorganisation through a disposal of several of its activities to Henlys, its 49 per cent-owned Canadian-based affiliate, for £255m.

The move is aimed at simplifying Hawley's business structure and strengthening its balance sheet. It will also have the effect of cutting its stake in Henlys to 25 per cent.

The assets being transferred comprise Hawley's home improvements division, the Insight group of companies and Spring Grove Services, together with Hawley's stakes in Airwaves (28 per cent), Nu-Swift Industries (28 per cent) and Hawley (10 per cent).

Hawley's stake in Henlys arose as a result of the acquisition of Pritchard Services last year.

Henlys will satisfy the £255m consideration through the issue of secured interest-bearing loan notes, but it will also carry out a refinancing after completion to repay a substantial part of the sum due.

Hawley said that the reorganisation would leave it with its principal activities concentrated in the world's three main English-speaking areas—Great Britain, the US and Australia—and would comprise its core operations of cleaning and building services, hospital housekeeping and food services.

It will also leave Hawley with a cash balance of about \$300m (£204m), by the end of this year compared with debt of about \$100m at the time of the Pritchard acquisition.

Mr Ashcroft said the move was a step towards achieving Hawley's aim of becoming a major international services group, concentrating on services that provide recurring revenues with little fixed capital requirement in highly fragmented markets.

Hawley's shares closed 5p up at 128p. Henlys closed 57p down at 64p.

# Pegler acquisition helps Tomkins to £9m midway

By DAVID GOODHART

F. H. Tomkins, the fast-growing industrial conglomerate which last year won control of the far larger Pegler Batteries group, reported turnover up to \$83.5m and pre-tax profit at \$9.27m for the six months to November 1 1986.

The results, which include four and a half months from Pegler, represents an increase in turnover of 43 times against \$24.5m and its pre-tax profits almost four times higher.

Earnings per share were 56 pence higher at 8.2p and the interim dividend is 1.3p, an increase of 33 per cent.

Mr Greg Hutchings, Tomkins chief executive, said that the integration of Pegler had begun well but several benefits, such as the closure of Pegler's headquarters in Doncaster, would not come through until the full year.

He also admitted that Pegler's underlying performance had only been steady but

said that the organic growth from some earlier acquisitions had been excellent. In particular the group of companies acquired from GKN in August 1985 has seen a significant rise in pre-tax profit and a 46 per cent increase in the return on capital.

At Pegler, in addition to the headquarters closure, the loss-making J. J. Brainbridge subsidiary had been closed and Paragon Plastics had been sold for \$5.5m.

Tomkins said it had radically improved cash and stock management at Pegler, instituting a management pay system linked to return on capital rather than output and turned Pegler from production to marketing.

Mr Hutchings denied that Tomkins would neglect capital expenditure at Pegler and said that he had already agreed to spend \$2m in the first four months and expected to spend

a little less than \$9m in the expanded group for the whole year.

Tomkins is proposing a one-for-three scrip issue. The company has net cash and investments of \$80m and may soon be in a position to make further bid. However Mr Hutchings dampened speculation about an imminent bid. He said: "The level of our share price at the moment is inadequate for issuing new shares and contested bids are not popular. But we could still make a cash acquisition of up to \$100m."

Most of the old Pegler board has now left the company, with Tomkins several hundred thousand pounds in golden handshakes. However, almost all the individual company managements remain in place.

Current trading is said to be encouraging. The share price rose 16p to close at 304p.

See Lex

# Bryant pension fund in move to help defence

By Clay Marks

Bryant Holdings' pension fund has invested almost 10 per cent of its assets in the company's shares to help to defend the Midlands-based housebuilder and property developer against a £187m takeover bid from English Cities Group.

With additional share purchases announced yesterday, Bryant Group Staff Superannuation Fund has now spent £2.1m to buy a total of 1,271,783 Bryant shares. The company says the fund has assets of £22m, including a £3m surplus on book value disclosed in a defence document last week.

The Bryant fund bought 150,000 of the shares at 150p, higher than EEC's 1986 cash offer. Trustees of the fund are Mr Chris Bryant, the company's chairman, and Mr John Croeland and Mr J. A. Rutledge, non-executive directors.

Robert Fleming, the merchant bank advising Bryant, also announced further share purchases to take its total stake to 2,068,005 shares. With directors' and Bryant family holdings, about 28.5 per cent of the shares are committed against the offer. EEC controls 17.8 through acceptances of shares held by an associate.

EEC shares added 1p to 594p where, after excluding an 8.35p dividend, its nine-for-16 offer values Bryant shares at 153.1p. See Lex

# Willis welcomes union drive in bid battle

Mr Norman Willis, TUC general secretary, yesterday warmly welcomed the union initiative, led by the GMBU general workers' union, in the takeover battle between the glassmaker Pilkington and BTR, the industrial conglomerate.

The union is urging pension fund trustees to take an active role in deciding whether their funds should accept the hostile £1.1bn bid.

Speaking at an international union conference on IBM, Mr Willis sharply criticised BTR's attitude towards union organisation in a number of its subsidiaries, such as Dunlop and JE Hanger, which has been involved in a bitter union dispute for almost four months.

He advised BTR to "take very seriously" the unions' initiative in opposing the bid for Pilkington.

# BA share deals: decision stands

By RICHARD TOMKINS

Hill Samuel, the merchant bank sponsoring the British Airways flotation, yesterday said it would stick by its decision to allow dealings to begin before letters of allotment went out in spite of the near-certainty that there will be no grey market in the shares in advance of official dealings.

Up till now, the main justification for Hill Samuel's decision has been that any delay in the start of official dealings will allow the grey market to thrive. On Friday, however, licensed dealer Cleveland Securities said

it would not be making a grey market in British Airways shares because of hostile comment about its role in the British Gas flotation.

The only other grey market maker, Prior Harwin, was closed down by the Department of Trade and Industry last month.

Hill Samuel said it was sticking by its decision because there was nothing to stop other institutions stepping in to fill the gap left by Cleveland and Prior Harwin.

"We want to reduce as far as possible the time in which

people might be tempted to make a grey market," said Mr David Buckle, Hill Samuel's vice-chairman.

Small shareholders do not like dealings to begin before allotment letters go out because some find it difficult to sell shares in early dealings without proof of ownership.

Mr Buckle acknowledged that some shareholders could find themselves at a disadvantage, but considered that the majority would find the means to deal if they wished to do so.

# Australian group buys into Redfearn

By TERRY POVEY

REDFEARN NATIONAL Glass announced yesterday that another Antipodean investor—Australia's Overseas Strategic Holdings—had taken a stake in the company. The Brierley group from New Zealand already has a 34.5 per cent holding.

OSH, which has a 8.8 per cent Redfearn stake, is part of the private Pratt Group of companies based in Melbourne, Run

by Mr Doug Pratt, Pratt Group's operations span paper, packaging and financial services.

In addition Mr Pratt has banking and investment interests in Hong Kong and the US.

In November, Mr Pratt purchased a 19.9 per cent stake in Australia's largest packaging company, ACI from Equicorp

Tasman, a quoted subsidiary of a New Zealand-based group. Mr Pratt has a 35 per cent stake in Equicorp Tasman.

An investigation into the circumstances surrounding this share transaction is currently being conducted in Australia.

Redfearn's shares have risen very strongly since mid-November, up from a 300p plateau to 885p last night.

# Ellis & Everard surges to £3m

Ellis & Everard, the UK's leading independent chemical distributor, increased its turnover by 40 per cent to \$65.5m in the first six months of the 1986-87 year and for the period profits surge to \$3.2m pre-tax.

That was an improvement of 68 per cent over last year's \$1.97m and just \$9.4m short of the figure returned for the 1985-86 year as a whole.

Cargo Chemicals, which was acquired in April 1986, made an outstanding contribution and other divisions also performed well, in particular merchandising in the UK and AICC in the US.

The directors said yesterday that they were encouraged by the outlook in both the UK and the US and said they remained confident that the full year results would show continuing substantial progress.

It was pointed out that the year ended in December at Apperson Chemicals of Florida had given fresh impetus to the group's US turnover.

Interest charges for the half-year (to October 31 1986) accounted for \$34,000 (£73,000). Tax rose from \$25,000 to \$1.2m and left earnings 10 per cent higher at 9.3p (8.3p) per share.

The interim dividend is being

lifted from an adjusted 2.27p to 2.5p net.

## comment

Those who guessed that Ellis & Everard were going to announce a 68 per cent increase in profits and bought ahead of the announcement clearly did well over the last week. However, as some \$900,000 of the increase comes from the first time contribution of Cargo Fleet, the organic rise is a fairly average 20 per cent or so. More worrying is the position in the US where operating margins are a 2 1/2 per cent compared with the 5 per cent norm in the UK.

With \$75m of sales likely from the three US subsidiaries in a full year, the operating profit contribution would be of the order of \$18m, only just a bit more than the present \$12.5m insurance bill. This seems a very expensive way of buying volume in a market which is so fragmented as to make it impossible to improve margins much without losing business altogether. Forecasts for the year have been upped to \$6.1m allowing for the good Cargo contribution. Given the surely over-optimistic prospective 2 1/2 per cent of 14, the shares were lucky to remain unchanged at 241p.

## DIVIDENDS ANNOUNCED

	Current	Date	Corres-	Total	Total
	payment	of	ponding	div	last
		year	year		year
A. G. Barr	8.5	April 7	6.7	11	8.45
Ellis & Everard	2.5	Mar 9	2.37	—	8.91*
Kenyon Securities Int 4	—	—	3.4	—	10.4
London Scottish	2.1	Mar 12	1.58*	—	2.41
Robert Z. Lowe	1.2	—	nil	1.7	nil
Rathern	1.1	Jan 30	0.75	—	5
FH Tomkins	1.33	April 7	1	—	2.8
Trillit	0.71	Feb 28	0.8	1.1	0.3

\* Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ US\$ stock. † Unquoted stock.

# J. Mowlem realises £55m

By Terry Povey

John Mowlem has realised \$55m after expenses through the sale of the investment portfolio of Glasgow Stockholders Trust. The construction and contracting company acquired the Trust with a view to liquidating its assets through a share offer that valued GST at \$84m.

The acquisition and then disposal of GST's assets are estimated by analysts to be roughly equivalent to a one-for-four rights issue by Mowlem.

Also announced yesterday was the agreed formula asset value on which both the share offer and the cash alternative were based. Set at 177.95p, the FAV values each GST share at 183p in the share exchange and the cash alternative at 177p.

Kleinwort Benson, advisers to Mowlem, have underwritten all the shares required to meet both the cash and the share bids. For the underwriting Mowlem's shares were priced at 345p. Last night Mowlem closed down 5p at 372p.

In a separate statement, US investment bank Morgan Stanley International said that it had bought the assets of GST from Mowlem. It said that the market value of the portfolio was in excess of \$80m.

## Stake taken in Lilleshall

Mr John Leek, head of merchant bank Hill Samuel's smaller companies unit, has been appointed non-executive chairman of Lilleshall, the steel and fasteners group, and with his family has acquired a 6.8 per cent stake in the business.

Mr Leek said yesterday he intended to expand the business by acquisitions, initially in the field of product distribution and property development. His share, acquired for £225,000, came largely from Lord Granville, who retains a 33.3 per cent holding. Lilleshall shares closed up 40p on the day at 185p.

## Newman Industries

Newman Industries, the manufacturer of industrial fasteners, is withdrawing from the production of ferrous castings with the sale of Dover Engineering Works to a company promoted by two of Dover's directors and three managers. Newman will receive approximately £2.7m.

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## UK COMPANY NEWS

## Enlarged Ratners at £2m and confident on outlook

BY PHILIP COGGAN

Ratners (Jewellers) yesterday announced pre-tax profits of £2.24m for the six months to October 8, a substantial improvement on the £155,000 achieved at the same stage last year.

The figures included a first contribution from H Samuel, which Ratners acquired for £1.9m in May.

Traditionally, jewellers make very little profit in the first half of the year since their sales are concentrated around Christmas. This year Mr Gerald Ratner, the chairman and chief executive, reported that "outstanding sales increases" had been achieved during the Christmas season, with turnover up 50 per cent at Ratners and 40 per cent at H Samuel.

Ratners is accordingly confident of a successful financial period, which will last for ten months because the group is changing its year end from March to January.

The H Samuel acquisition by itself added 350 stores to the group and further 22 new Ratners and Terry's shops were opened in the first half, with another 17 added since then. The group now has 600 stores in all, of which 150 trade under the Ratners name.

Around £21m will need to be written off the H Samuel balance sheet, largely due to the write-down of stock values but that figure will be offset by a £15m surplus on property revaluation.

Provision is also being made for the £550,000 compensation package paid to Mr Anthony Edgar, the former H Samuel chairman and briefly chairman of Ratners, who has left the company.

H Samuel made a pre-tax loss in the same period last year so the pre-tax profits of £2.24m compare with a pre-forma group loss of £159,000.

Turnover was up 32 per cent at £55.2m (pro forma £41.7m). After interest of £1.39m (pro forma £948,000) and tax of £940,000 (£65,000), earnings per share were 1.6p (0.26p).

The interim dividend is being set at 1p (0.75p).

Mr Victor Ratner, the director responsible for buying and merchandising, has been appointed deputy managing director and Mr John Hughes has joined the board as retail operations director.

The company intends to change its name to Ratners Group.

## ● comment

The costs of Mr Edgar's departure must have been an unpalatable pill for Ratners to swallow but such are the goodies in the Samuel empire that the overall taste of victory must still be remarkably sweet. Samuel's shops were trading on profits of £11 per square foot before the takeover—that has already been bumped up to around £40 and there seems no reason, especially given the prime High Street sites, that Samuel should not eventually achieve the £80 per square foot currently being made by Ratners. With £30,000 feet of Samuel selling space, that implies a target of annual profits of £2.4m from the acquisition alone. In the meantime, the original Ratners group topped Christmas turnover by 50 per cent to show that the formula of "flash for cash" is still enticing teenage girls to buy earrings, bangles and chains. Pre-tax profits for the ten months just ending look likely to be £2.2m but the real test is next year's figure. £2.2m seems the most likely estimate. The shares, at 271p, are thus on a prospective p/e of only 10, modest considering the growth prospects.

## Whittaker looks set to clinch victory in battle for MSCC

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

Highams, the textiles company privately owned by Mr John Whittaker, the Rosendale-based property developer, now seems almost certain to take control of the Manchester Ship Canal Company after the bid closes at 3 pm tomorrow.

Last night Mr Whittaker claimed 79 per cent of the company's 5m preference shares and 84 per cent of the ordinary shares. The shares carry equal voting rights, but voting weight is tapered to favour small shareholders, so that obtaining 51 per cent is not in itself enough for control.

This was one reason why Mr Nicholas Berry, MSCC Chairman, refused to concede defeat last night, although many close to the battle are now understood to see the outcome as almost inevitable.

To take control, Mr Whittaker needs to break down some or all of his holdings into 100 share packets to maximise voting strength. If he can do so to a greater extent than Mr Berry and his supporters, he is bound to obtain a simple majority at the company's AGM next month.

Mr Whittaker, who also controls the publicly quoted retail developer Peel Holdings, said

that about 20,000 potential nominees had now been found among his group's employees, customers, suppliers and their friends and relations.

Another 10,000 supporters had also been found, many through canvassing in towns and villages of the Lancashire Pennines.

He said they were ready "if needed".

Mr Berry yesterday said that Mr Whittaker would have to be tested on the matter to see if the claim was a bluff. Each side has six weeks from the close of the bid to register its nominees.

Both sides agree that Mr Whittaker needs only a simple majority to sack all the shareholder directors and replace them. If the company's statutory directors—Manchester City councillors, who have a legal right to a boardroom majority of one—do not agree with his plans, he could then run the business via a rolling series of emergency general meetings.

A sign of the way the battle is going, however, is the way the argument is now shifting to what Mr Whittaker can and cannot do with his likely power.

## Hanson's brokers sell Bowater share stake

By Nikki Tait

Hanson Trust is believed to have cut its stake in Bowater Industries, the packaging and builders' merchants supplier, from 11.2 per cent to just below the disclosable 5 per cent level.

Official notification of the deal has yet to come from the Stock Exchange, but on Friday stockbrokers Laing & Crutchshank bought 6.56m Bowater shares on behalf of four institutional clients.

Six million of those shares came from Hoare Govett, Hanson's stockbrokers. The deal took place at 360p.

Hanson first disclosed a stake—7.03 per cent—in Bowater in July 1985, although it is believed to have had a 4 per cent holding for some while longer. The stake was then steadily added to until it reached 11.7 per cent in February last year.

Up until late-1985 Bowater shares were trading at under 300p, suggesting that Hanson's profit on its stake—assuming it was the source of Hoare Govett's shares—must top £3.5m.

Yesterday, Mr Martin Taylor, a Hanson director, refused to comment on the suggestion that Hanson had reduced its stake.

## Record net income at NatWest USA

Fourth quarter net income of National Westminster Bank USA rose 25 per cent to \$17.9m, making a record \$67.7m for 1986, compared with \$54.6m previously. Return on assets rose to 0.65 per cent, against 0.61 per cent a year ago.

Mr William T. Knowles, chairman and chief executive officer, attributed the strong earnings gains to continued growth in the bank's domestic business with higher loan and core deposit volumes, increases in non-interest income and a further significant improvement in the bank's asset quality.

Net interest income for the year increased 10 per cent to \$371.1m (\$336.2m) with the fourth quarter figure up 5 per cent at \$95.4m.

## Barr

A. G. Barr, Glasgow-based soft drinks manufacturer, lifted pre-tax profits by 40 per cent from £3.2m to £4.47m for the year ended October 25, 1986, on turnover 11 per cent higher at £29.19m, against £26.32m.

At the trading level, profits were up from £2.61m to £3.84m, having interest received of £631,000 (£595,000). Tax charge increased to £1.52m (£954,000) and there was an extraordinary credit last time of £332,000.

Stated earnings per 25p share rose from 35.56p to 46.89p and the dividend is stepped up to 11p (8.45p) net with a final of 8.5p.

## Bio-Isolates warns of another year of losses

BY RICHARD TOMKINS

Bio-Isolates, the loss-making USM start-up venture which has patented a process for making protein out of cheese whey, yesterday warned that its results for this year to September 1986 were unlikely to show an improvement over the previous year's.

In the year to September 1986, the company incurred a pre-tax loss of \$441,000—its fourth consecutive period of mounting losses since coming to the USM in 1982.

Bio-Isolates has two joint venture operations, one in the US and the other in Ireland. It said yesterday that most of the output from its Minnesota plant had not yet been sold and was now in storage, although it was still saleable.

The other joint venture at Mitchelstown in the Irish Republic had made considerable progress in the past three months in terms of sales and product quality, the company said. It was therefore investing in increased capacity and cost-cutting measures.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY  
Interim: Palmetum Investment Trust, Salda, Sturge, Westpool Investment Trust.

Final: London and Clydesdale, New-man Tonks, Television South, Wharfedale.

FUTURE DATES  
Interim: Celtic Haven Jan 14  
Gold Fields Prop. Jan 14  
Gold Fields of South Africa Feb 9  
Heath (Samuel) Jan 10  
Multisys Electronics Jan 14  
New Winebrand Jan 16  
Zetara Jan 18  
Final: Kuala Lumpur Kapong Berhad Jan 23  
Vogelstrubel Metall Feb 8

## Third Market quote for Theme

BY PHILIP COGGAN

Theme Holdings, specialist restaurant company, is planning to be one of the first companies to join the Third Market when it opens on January 26. It announced the news yesterday along with the £3.6m acquisition of Leisure Development, which operates Ragdale Hall

Health Hydro and Ragdale Health Club. Theme operates a group of restaurants in London including Peppermint Park, Coconut Grove and Fazio's Pasta Joint. In the year ending October 31, 1985 it made pre-tax profits of £323,000 on turnover of £3.1m.

Consideration for Leisure Development, which made a small loss in the last financial year, will be paid by the issue of 4.5m new shares at 40p each plus £1.8m in cash. Following the issue, Euston Trust will hold 28 per cent of the enlarged group.

## London Scottish lower than expected at £2.1m

BY TERRY POVEY

London Scottish Finance, the Manchester-based personal finance company, yesterday announced pre-tax profits of £2.14m, a somewhat lower than expected £2.77m increase over the year to October 1985 figure.

Once called Refuge Securities, LSF specialises in lending to those without bank accounts and maintains a network of staff who collect payments from debtors on a weekly basis. It also has an active debt collection service, Robinson Way, which has grown strongly in the past year.

The company's traditional concentration of its activities in Scotland, the Midlands and the North of the country is steadily being changed by expansion in the South of England.

During the year eight new offices were opened and on October 29, the first day of the present financial year, LSF purchased March the Tailor, a six office Yorkshire-based credit business. LSF now has 97 branches.

Pre-financial margins were marginally ahead to 23.3 per

cent of turnover up to £18.2m from £15.2m. Finance costs were £1.4m against £1.3m. Profits after taxes paid of £565,977 (£453,450), totalled £1.55m (£1.38m). After adjusting for the March 1986 scrip issue, earnings per share were 6.5p against 6.4p and the total dividend was ahead 25 per cent to 3p (2.4p).

Commenting on current trading, Mr Jack Livingstone, chairman and chief executive, said that the first eight weeks of this year saw "record loan figures, ahead 19 per cent on the similar period last year."

TRUSTHOUSE FORTE, the hotel and catering group which last summer bought the former Imperial Group restaurant and hotel businesses from Hanson Trust for £190m, only to see the acquisition referred to the Monopolies Commission, has given undertakings that it will run the chain of Happy Eater roadside restaurants as a viable business—discrete from the rest of the company—during the MMC's enquiry.

## Evered buys stake in CI

Evered Holdings, the acquiritive industrial conglomerate, announced yesterday it has acquired a 22.6 per cent stake in CI Group, specialist steel and engineering group.

Mr John Ford, Evered finance director, would not reveal how much he paid but insisted that it was regarded as a long-term investment and that there were no plans to bid for the company.

CI made pre-tax profits of £1.02m on sales of £27.6m in the year to and January 1986 and recently completed its fourth acquisition of 1986 paying a maximum of £5.1m for Express Reinforcements.

Evered has known the CI senior management for some time and Mr Roy Kettie, CI's non-executive chairman, is a non-executive director of Evered. Mr Ford said there would be opportunities to build commercial relationships between the two companies. Evered expects to be offered a seat on the CI board.

## Ladbroke expanding US property side with £74m purchase

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Ladbroke, the diversified hotels, racing and retailing, entertainments and property group, is substantially increasing its US interests with the spending of \$110m (\$74.4m) on the purchase and refurbishment of two office blocks in central Washington DC.

The group has been active in the US property market for five years and has developed in that period about \$400m of property.

The new buildings enlarge a portfolio of property holdings that is based on office buildings in New York and Westchester.

Of Ladbroke's planned expenditure, \$67m is being spent on purchase, the balance will be spent on refurbishment and the cost of carrying the buildings until they are ready for occupancy, Ladbroke said yesterday.

Both buildings, Plaza West and the Commonwealth Building, are of 12 storeys and between them they provide 560,000 square feet of space. At present they are occupied by the US federal Government.

Ladbroke's US property subsidiary, London and Leeds Corporation, will be able to move into Plaza West at the end of September and to the Commonwealth Building in September 1988 for the refurbishment. The buildings should be ready for new tenants by summer 1988 and summer 1989 respectively.

On the basis of 1986 rents, Ladbroke expects the investment initially to yield 10 per cent plus, perhaps five percentage points more than might be expected from a comparable investment in City of London



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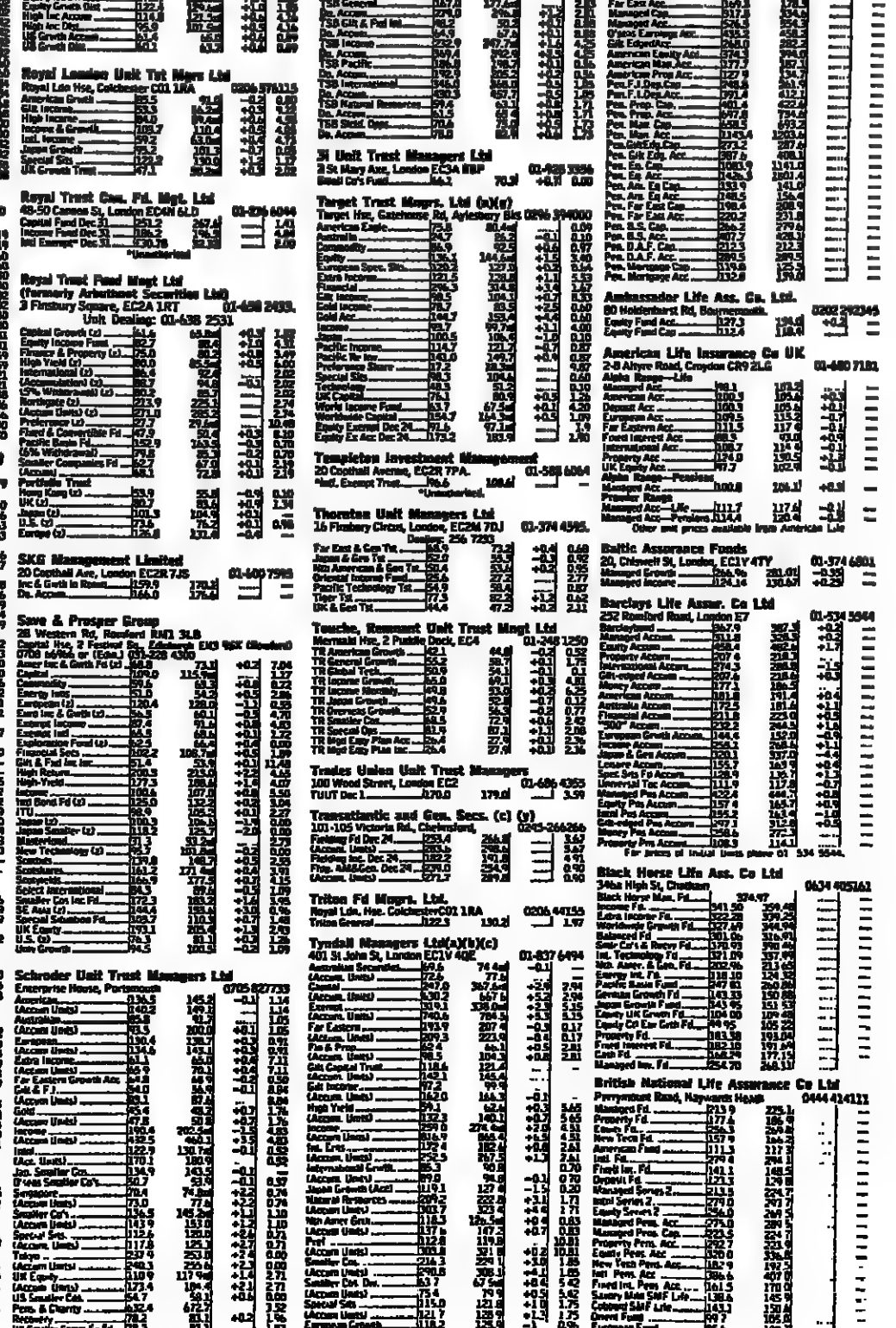
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10022, USA, Tel. (212) 415-7000.







**FT UNIT TRUST INFORMATION SERVICE**[illegible]**QUARK**

## INSURANCES

[illegible]



**Royal Warrant Life Assur.—Contd.**

[illegible]



<b>Schroder Plc. Mgmt. Intl.—Contd.</b>				<b>Warburg Inv. Mgmt. Jersey—Contd.</b>			
Jaspur Fund	51,888	2,000	-0.017	0.00	Mercury Selected Trust	337.07	79.46
Jasch Smelter Co.	12,040	3,170	-0.012	0.00	Global Fund		+0.11
Seaport & Metropolitan	10,894	0,912	+0.018	0.21			

[illegible]

Offshore Emerging Cos	331.728	1.4322
Offshore European Fd	51.053	1.1220
Offshore Far East Fd	32.149	1.2221
<b>Phoenix International</b>		
PG Box 77, St Peter Port, Guernsey		
Inter-Dollar Fund	35.92	6.381
Far East Fund	56.63	7.14

[illegible]

117	Investment, Limited, ELIZABETH	02-283
	Quam Fund	\$11,754 11,961 +16%
118	Quam Fund	
119	10th Boulevard Royal, Luxembourg	
120	Quam Fund NAV	\$14.51 +0.12%
121	Quam Fund	
122	Quam Fund	
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Intl Capital Fd	16.22	29.81	100%
North America Fd	16.22	13.00	100%
Far East & Pacific Fd	16.22	24.20	100%
Caribbean Fd	16.22	24.12	100%
HBC Intl Caribbean Fd Ltd			
USS	27.40		
Caribbean S	24.97		
F Securities	14.00		

[illegible]

Deposit Fd \_\_\_\_\_ 223.4 223.51  
 Starting Deposit \_\_\_\_\_ 223.51  
 (2) Daily prices starting 223.51

Scandinavian Sk Fd Mgrs Ltd  
 PO Box 1084, Grand Cayman, BVI 809-94-98  
 S&P Int Inv Fd Ltd  
 Int. Emly Fd \_\_\_\_\_ 151.2 1.60

[illegible]



## COMMODITIES AND AGRICULTURE

## LCE in dispute over 'locals'

BY ANDREW GOWERS

MEMBERS OF the London Commodity Exchange, which operates futures markets for sugar, coffee and cocoa, meet today to take a decision, report Mr. Saxon Tate, the LCE chairman, has portrayed as crucial to its future: whether to admit so-called "locals", or individuals trading on their own account, to the Exchange floor.

Mr. Tate believes locals — which are an established feature of the big US futures exchanges and of the London International Financial Futures Exchange — would help to boost liquidity on the London soft commodity markets and of their sister market in energy futures, the International Petroleum Exchange.

In a poll of exchange members last year, insufficient trading volume was identified as the biggest single problem causing it to lose international market status. Tate was appointed more than a year ago with a mandate to

improve the image and competitive position of the LCE, points out that increasing liquidity would also help to boost returns to the exchange's shareholders, its current members.

However, there are signs that significant opposition to the plan to admit new members will surface at today's meeting of trading companies. While members of the sugar market, which has suffered the hardest from poor liquidity, are enthusiastic about the idea, the coffee market seems less keen and a sizeable proportion of cocoa market members — traditionally the most conservative quarter of the LCE — is fiercely opposed.

The proposal being put to members is that for a fee of \$10,000, individuals should be allowed access to all LCE and IFE futures contracts, together with traded options on them. After the LCE's move to its purpose-built new headquarters

by the Tower of London, scheduled for Easter, all these contracts will be trading on the same floor. Locals would be allowed to "back" for their own account, for each other and for the account of other authorised floor members of the two exchanges, but not for outside clients.

To varying degrees, opposition has been expressed by traditionalist members of the exchange with a bias towards physical trade and from traders which derive important amounts of their income from "jobbing".

The trade members argue that their markets are perfectly viable without locals, and fear that the advent of individual members would fundamentally alter the character of the exchange. The other objection is that the LCE and IFE would reduce their chances of making money in own-account business.

The IFE itself recently de-

cided in principle to admit locals, but the move was preceded by fierce disagreements and would be nullified by a "no" vote today. "An awful lot of the IFE business is actually jobbing by floor members, so in effect IFE floor members are already acting as locals," said one observer.

Mr. Tate is reasonably confident that the locals plan will be put to the vote today — and such decision was not being ruled out yesterday — then it will amount to an embarrassing setback to efforts to reform the LCE and to improve the image of the commodity markets in the rest of the world.

Meanwhile, LCE and IFE members have approved rules to smooth the way for the introduction of traded options on coffee, cocoa, sugar and gasoil. The exchange authorities are hoping to sign up at least 20 members to trade options by the end of the month.

## EEC agri-money talks tomorrow

BY TIM DICKSON IN BRUSSELS

EEC EXPERTS will meet in Brussels tomorrow to discuss the implications of yesterday's realignment of currencies within the European Monetary System for Community farmers. The 3 per cent revaluation of the D-Mark and Dutch guilder and the 2 per cent upward adjustment of the Belgian Franc have come at a particularly sensitive time with West German elections due in under two weeks and the Commission's price proposals for the 1987 marketing year likely to be unveiled at the beginning of February.

The intense negotiations over EMS parties are highly relevant to the agricultural sector because the outcome affects the level of farm prices in individual member states. A significant impact on trade flows across national boundaries. Yesterday's decision could also increase the

cost to the Community of subsidising farm exports in world markets, thereby putting new strains on the ERM budget. Under the complex system of monetary compensatory amounts (MCAs) — a series of import subsidies and export taxes levied at borders and designed to counteract the effect on European farm trade of currency fluctuations — the consequences of yesterday's EMS realignment should theoretically be neutral. But it is not that simple. At the meeting of the Commission and member state representatives tomorrow new negotia-

tion levels will be set to offset the competitive advantage to the weaker currency countries in the Community. The most delicate issue is likely to be French insistence that no negative MCAs should be created for the pig and poultry regime, which was temporarily suspended as a result of disagree-

ments last year. The Commission has been formally charged in the Community to seek for the agreement of the member states before proposing in certain special cases agrimonetary measures which flow from the present realignment.

Meanwhile, due to an agreement in 1984, German farmers do not have to accept an effective cut in the ECU-denominated farm prices as a result of the new appreciation of their currency. However, it is expected that other countries will press for green rate devaluations during the next agricultural price-fixing round, thereby providing their own farmers with effective price increases in national currencies and indirectly increasing the pressure on the Germans. This could significantly affect the tactics of member states during the forthcoming price negotiations.

## Soviet buying cheers UK grain trade

BY JOHN BUCKLEY

REPORTS THAT the UK will supply 500,000 tonnes each of wheat and barley out of a new Soviet purchase of 4m tonnes of EEC grain, have breathed new life into a cereal market that was threatening collapse towards the close of 1986.

Traders are in no doubt that the Soviet order is a bullish news for the French market which is expected to supply 2m tonnes of the Soviet wheat business. France has already had to halve its intervention stocks to some 1.1m tonnes to keep other export markets fed in the wake of a 2.5m-tonne fall in its 1986 soft wheat crop to 25.5m tonnes.

The Soviet purchase will bleed France dry of residual supplies, said one UK-based multinational shipper, adding "If French prices continue to

depress, however, since Spain has been obliged under the pact to ship in more maize than it needed in November and December. "Silos there are clock-block so we don't expect any interest from the Spaniards to come forward in January," said one shipper. If the EEC agrees with the UK to take complete shipments in despite of the recent UK decision to impose sanctions on EEC wine, spirits and foodstuffs, Spain has a choice of freeing the grain for the open market — which would drive prices down — or placing it into intervention and letting it trickle out gradually at higher prices. "If the latter, then UK wheat will become competitive to Spain again so perhaps in February or March they'll come back to our market," said the shipper.

## Sri Lanka and Iran in oil and tea deal

BY MERVYN DE SILVA IN COLOMBO

SRI LANKA will buy 240,000 tonnes of crude oil from Iran this year (about 4,800 barrels a day) and Iran has agreed to take at least 15m kgs of Sri Lanka tea, returning to the 1984 level. Having halved oil purchases in 1986 Iran stayed away from the Colombo tea auctions until November last year.

The agreement follows a five-day visit to Iran by Mr. Romo De Mel, Sri Lanka's Finance Minister, during which he had talks with the President, the Prime Minister, the Minister of Finance and the Foreign

Minister in what he called "the first serious bid to expand relations, especially economic, with this major Indian Ocean country." Iran wanted Sri Lanka to buy 120,000 tonnes of oil in each quarter, but Mr. De Mel pointed out that Sri Lanka was also obliged to purchase crude from Iraq and Egypt, two major tea buyers.

Iran had similar difficulties about tea. Mr. De Mel said. Its annual consumption of tea is 76m kgs while local production was given as 55m kgs, a figure about which the Sri Lanka Tea

Board is sceptical. Iran has in fact asked for Sri Lanka experts to help increase domestic production. The real difficulty is that Iran buys more than half its tea imports from India, a big buyer of Sri Lanka tea.

Iran will send Sri Lanka in two fields, oil exploration and fisheries, while Iran has requested Sri Lanka assistance tea and rice production. Sri Lanka is keen to sell rubber, coconut and cashew, and spices while Iran has offered petrochemicals, pharmaceuticals, trucks, lorries, buses and electrical goods.

## Backing off the high-yield throttle

AMID the current gloom over the prospects for farming, the only certainty is that milk quotas are to be cut again, but beef, already a poor sector, could well get a great deal worse. So far we have heard much about this year's cereal arrangements but it looks as though there could be a fall of at least 10 per cent probably spread across the arable sector. In addition there is the threat of a suspension of intervention buying.

This could be very serious. Except for cereals, where a few farmers actually use it themselves, intervention — that is, selling at guaranteed prices into official warehouses — is generally used by the trade and manufacturing interests. Under the present rules, much tightened up last year, intervention is generally the buyer only when all else fails. A commodity market trying to survive without intervention support of some kind would be dragged down to the level of the weakest sellers.

Faced with this scenario it is surprising that I have heard of few farmers ringing up to throttle down the productive processes of their farms. There is plenty of talk of looking for alternative crops and land uses but almost all of them are blind alleys offering little scope for expansion. Yet it is still to good farming that the average farmer is looking.

Let us just look at cereals, of which there will be a surplus of anything up to 5m

tonnes at the end of the current cereal season. One hears a about 5m acres, one-fifth of the cereal acreage. One hears a lot about "deintensification" — that is, restricting use of fertilisers and chemical sprays so that output drops to match total requirements. But farming does not work like that. Yields can vary seasonally by 30 per cent either way. We have found that the best policy has been to farm as well as we can, while keeping our costs to the minimum compatible with that aim.

Like probably 50 per cent of British farmers my main fixed costs — interest and rent for a proportion of my land — is low and the rest is bought and paid for. A few years ago I resisted the offer of the farm's land next door, otherwise I would have been carrying an annoying burden of debt. I had borrowed plenty, in the past, but that was when long-term interest rates were 4 or 5 per cent, less than half today's level.

At the same time I have maintained the efficiency of my machinery and buildings for grain storage, and have a good flock of sheep and a small herd

of pigs. Neither is particularly profitable but they can always be turned into cash at a time of emergency. It has also been worth my while to maintain the fertility of the farm by the use of lime and phosphate, longer lasting fertilisers.

I am still growing the same proportions of wheat and barley. But instead of the heavier yielding feed varieties I have opted for quality and am trying to achieve milling and malting standards. These types don't yield quite so well but in a way they are easier to grow and they do not seem to need quite so many inputs. Last harvest the gamble came off and all my wheat and barley earned a financial premium — for the first time ever, I must admit.

I also grew oats which do not receive any EEC support but they were in short supply and luckily the Scots still needed them. But I shall wait to see the planning figures before I decide to plant them this time. I am also putting in another 50 acres of spring beans which, although they paid quite well were a late start harvest that they will seriously affect the next crop which should have been wheat.

## LONDON MARKETS

GOLD added to last week's advance yesterday with the London bullion market price closing at \$375 higher at \$411 a troy ounce. Dealers said buying was encouraged by the strength of platinum — up \$33 at \$35.50 an ounce — following weekend unrest in South Africa. A weaker dollar and rising price of gold also played a part, they said.

On the London Metal Exchange zinc prices came under further pressure from news of a sharp rise in LME warehouse stocks last week. The cash price closed at an 8-month low of \$56.50 a tonne, down \$23.50 from Friday. Dealers noted that producers appeared to make no attempt to support the zinc market and reported a sale of an imminent cut in European producer prices. Coffee prices also fell heavily reflecting a weaker tone in New York. On the London futures market the March position slid to a 15-month low of \$1.575 a tonne before closing \$30.50 down on the day at \$1,597.50 a tonne. Last week's reopening of Brazilian export restrictions on relatively low prices has added to the existing bearish mood of the market, they said.

## LME prices supplied by Associated Metal Trading.

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
3 Unofficial + or -	High/Low	
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## COPPER

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
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10 Unofficial + or -	High/Low	

## LEAD

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
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## NICKEL

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
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## ZINC

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
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## GOLD

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
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10 Unofficial + or -	High/Low	

## SILVER

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1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
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## COTTON

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1 Unofficial + or -	High/Low	
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10 Unofficial + or -	High/Low	

## MEAT

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
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10 Unofficial + or -	High/Low	

## POTATOES

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1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
3 Unofficial + or -	High/Low	
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9 Unofficial + or -	High/Low	
10 Unofficial + or -	High/Low	

## INDICES

REUTERS	1986.0	1986.1	1987.0	1987.1
1986.0	1986.1	1987.0	1987.1	
1986.0	1986.1	1987.0	1987.1	
1986.0	1986.1	1987.0	1987.1	
1986.0	1986.1	1987.0	1987.1	

## DOW JONES

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
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10 Unofficial + or -	High/Low	

## MAIN PRICE CHANGES

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
3 Unofficial + or -	High/Low	
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9 Unofficial + or -	High/Low	
10 Unofficial + or -	High/Low	

## OILS

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
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10 Unofficial + or -	High/Low	

## GRAINS

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
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10 Unofficial + or -	High/Low	

## SOYABEAN MEAL

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1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
3 Unofficial + or -	High/Low	
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## COCOA

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1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
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10 Unofficial + or -	High/Low	

## COTTON

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
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10 Unofficial + or -	High/Low	

## CRUDE OIL (LIGHT)

Grade	Unofficial + or -	High/Low
1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
3 Unofficial + or -	High/Low	
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## PLATINUM

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1 Unofficial + or -	High/Low	
2 Unofficial + or -	High/Low	
3 Unofficial + or -	High/Low	
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9 Unofficial + or -	High/Low	
10 Unofficial + or -	High/Low	

## RUBBER

of 100 tonnes.	January: Jan 110.25-85, March 112.50-80, May untraded.	Ar
Spot: 100.10, Nov and Jan untraded.	Prices: 3 lots of 100 tonnes.	Br
HOGA — Locational on-farm spot		De
prices. Feed barley: Eastern 111.00,	Midlands 112.80, N. East 112.00,	Fr
Scotland 112.00. The UK monetary	efficient for the week beginning	Gr
Monday January 19 is unavailable due	to the EMS realignment.	Pr
LONDON GRAINS — wheat: US Dark		Fr
northern Spring No 1, 15 per cent Feb	4.50, March 105.25, US No 2 Soft	Gr



## CURRENCIES, MONEY &amp; CAPITAL MARKETS

35

## FOREIGN EXCHANGES

## Dollar falls after EMS change

ATTENTION SWITCHED back to the US dollar after the weekend realignment of EMS currencies. Renewed bearish sentiment pushed the dollar below the important DM 1.80 level against the D-Mark despite support by the Bank of Japan and the West German Bundesbank. Early trading had suggested that another assault on the DM 1.80 level was likely but during the morning the trend lacked sufficient impetus to overcome central bank intervention. The Bundesbank was active buying dollars in the open market and at the same time in Frankfurt. This discouraged sellers for a while but afternoon trading saw renewed liquidation of dollar positions and in the absence of any further central bank activity, the dollar fell to a low of DM 1.8086 before closing at DM 1.8095, its worst closing level since November 1980.

Against the yen it fell to ¥158.70 from ¥158.10 and against the Swiss franc to Sfr 1.4045 from Sfr 1.4045. The dollar was also weaker against the French franc at FF 6.5575 from FF 6.5575, its worst level since June 1982. On the London market, the dollar's exchange rate index fell from 107.9 to 108.4.

Early trading in Europe suggested no clear pattern to start with. Traders were busy assessing the implications of a 3 per cent rise in the D-Mark and Dutch guilder and a 2 per cent rise in the Belgian and Luxembourg francs. There was surprise that the Danish krona was not devalued, since it was already one of the weaker currencies before the realignment. In Paris the D-Mark was quoted at FF 6.5575 in early trading compared with an upper limit of FF 6.5505. On Friday it closed at FF 6.5505.

**EMS EUROPEAN CURRENCY UNIT RATES**

Currency	Unit	Rate	% change
Belgian franc	100	42.9582	+0.13
Dutch guilder	100	2.3636	+0.11
French franc	100	6.5575	+0.11
German D-Mark	100	1.8095	+0.05
Italian Lira	1,000	2.3636	+0.11
Japanese Yen	100	158.70	-0.38
Netherlands Guilder	100	2.3636	+0.11
Portuguese Escudo	200	200.48	+0.11
Spanish Peseta	166.67	166.67	+0.11
Swiss Franc	100	1.4045	+0.05
UK Pound	100	1.4045	+0.05

**STERLING INDEX**

Index	Value	% change
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5

**CURRENCY RATES**

Currency	Rate	% change
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5

**CURRENCY MOVEMENTS**

Currency	Rate	% change
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5

**OTHER CURRENCIES**

Currency	Rate	% change
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
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100	108.4	+0.5
100	108.4	+0.5

**OTHER CURRENCIES**

Currency	Rate	% change
100	108.4	+0.5
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100	108.4	+0.5

**OTHER CURRENCIES**

Currency	Rate	% change
100	108.4	+0.5
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**OTHER CURRENCIES**

Currency	Rate	% change
100	108.4	+0.5
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**OTHER CURRENCIES**

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**OTHER CURRENCIES**

Currency	Rate	% change
100	108.4	+0.5
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**OTHER CURRENCIES**

Currency	Rate	% change
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100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5

2.3310 just beyond its upper limit of FF 6.5505. The Bank of France was seen in the market purchasing D-Marks although this was seen just as an opportunity to try to replenish depleted foreign currency reserves.

Trading conditions became more relaxed as the day wore on. However with the dollar threatening to lose further ground, there was a renewed impetus in the market because the relatively modest change in parities suggested that the D-Mark's strength could cause further strains later this year. For the time being the West German authorities were anxious to keep conditions as stable as possible in the run up to Sunday week's general election.

**STERLING**—Trading range against the dollar in 1986-87 is 2.4710 to 1.8985. December average 1.8985. Exchange rate index 166.4 against the yen it was slightly higher at 125.9 six months ago.

The Bundesbank bought \$35.4m at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8020, down from DM 1.8150 on Friday and its lowest level since November 1980. An early low of DM 1.8020 was touched but the Bundesbank was soon detected in open trading and pushed the dollar back up above DM 1.8100. Within the EMS traders were caught off guard by comments made by officials in France and the Netherlands that there was a chance of a cut in West German interest rates. This would tend to contradict recent efforts by the West German authorities to contain money supply growth through firm monetary discipline.

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## FINANCIAL FUTURES

## Gilts and bonds depressed

TRADING WAS fairly dull on the London International Financial Futures Exchange yesterday. Long term gilts for March delivery opened firm at 115.84, supported by steady improvement against the dollar. Profit taking took the contract down, before hopes were raised of lower European interest rates by comments from finance ministers in several financial centres, including Mr Gerhard Stoltenberg of West Germany. March gilts recovered on this news, but fell back on further profit taking and the pound's decline to a record close.

Three-month sterling deposits showed little change, opening at 80.36 for March delivery, and closing at 80.35, compared with 80.54 previously. Any weakness was concentrated on the near month however, with June and September delivery improving. Indicating

optimism that interest rates will be cut later in the year. March US Treasury bonds opened higher at 101.12, boosted by a strong close in Chicago on Friday, but lost ground as the weak dollar and higher gold and oil prices depressed the market. Bonds received some support from the optimism about European interest rates, and by hopes that low US inflation will allow an easing of the Federal Reserve's monetary policy. The contract closed just above the day's low at 100.94, compared with 100.11 on Friday.

**FINANCIAL FUTURES**

Contract	Price	% change
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
100	108.4	+0.5
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Contract	Price	% change
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100	108.4	+0.5
100	108.4	+0.5

**FINANCIAL FUTURES**

Contract	Price	% change
100	108	







**MINES—Continued**

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**(International Edition Page 38)**

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# Indices

## NEW YORK NEW YORK

	Jan 12	Jan 8	Jan 5	Jan 2	Jan 1	1987/87	Share Completion	
						High	Low	High
Industrials	2,082.42	2,085.81	2,082.25	1,983.88	1,974.83	1,871.32	2,085.81	2,082.25
Transport	851.88	853.82	842.27	842.48	841.83	848.72	841.83	848.72
Utilities	221.84	218.81	218.18	218.57	212.78	213.87	218.57	218.18
Trading vol	—	182.87	184.82	188.87	188.38	181.88	—	—
				Jan 2	Jan 25	Jan 18	Jan 18	Year Ago (Apprx)
Ind. Div. Yield %				3.48	3.38	3.38		4.11

## STANDARD AND POORE

	Jan 12	Jan 8	Jan 5	Jan 2	Jan 1	1987	Share Completion	
						High	Low	High
Industrials	236.78	238.87	238.78	234.74	231.88	238.87	234.74	238.87
Composites	236.78	238.73	238.23	232.78	232.18	238.73	232.78	238.73
				Dec 31	Dec 24	Dec 17		Year Ago (Apprx)
Ind. Div. Yield %				3.38	3.38	3.38		3.38
Ind. P/E Ratio				17.38	17.71	17.74		14.88
Long-Term Bond Yield				7.24	7.24	7.28		8.28

## N.Y.S.E. ALL COMMON

	Jan 12	Jan 8	Jan 5	Jan 2	1987	
					High	Low
	148.34	148.38	147.88	146.83	148.38	147.88
					148.38	147.88

## INDICES AND TALLS

	Jan 12	Jan 8	Jan 5	Jan 2	Jan 1	1987	
						High	Low
Industrials	2,082.42	2,085.81	2,082.25	1,983.88	1,974.83	1,871.32	2,085.81
Transport	851.88	853.82	842.27	842.48	841.83	848.72	841.83
Utilities	221.84	218.81	218.18	218.57	212.78	213.87	218.57
Trading vol	—	182.87	184.82	188.87	188.38	181.88	—

	Jan 12	Jan 8	Jan 5	Jan 2	Jan 1	1987/87	High	Low
AUSTRALIA								
All Ordinaries (1/1/80)	1,549.8	1,558.8	1,558.8	1,554.1	1,544.1	1,544.1	1,544.1	1,544.1
Metals & Min. (1/1/80)	228.87	227.1	227.1	227.1	227.1	227.1	227.1	227.1
AUSTRIA								
Graedstock Aktien (28/1/84)	228.87	227.1	227.1	227.1	227.1	227.1	227.1	227.1
BELGIUM								
Bruussels BE (1/1/80)	228.87	227.1	227.1	227.1	227.1	227.1	227.1	227.1
DENMARK								
Copenhagen CEX (1/1/80)	(u)	168.88	168.88	168.88	168.88	168.88	168.88	168.88
FINLAND								
Unifins Genl. (1/7/8)	484.1	484.2	487.8	484.8	484.1	484.1	484.1	484.1
FRANCE								
CAC General (1/1/80)	418.8	487.8	487.8	488.8	414.8	418.8	418.8	418.8
Ind. 1.000 (1/1/80)	104.4	107.8	107.8	107.8	104.4	107.8	107.8	107.8
GERMANY								
PAC Aktien (1/1/80)	838.88	834.28	838.88	838.88	758.88	774.8	758.88	758.88
Commerzbank (1/1/80)	1888.1	1818.8	1888.1	1888.1	1888.1	1888.1	1888.1	1888.1
HONG KONG								
Hang Seng Bank (1/1/80)	814.87	814.87	814.87	814.87	814.87	814.87	814.87	814.87
ITALY								
Borsa Comm. Ital. (1/7/8)	728.84	714.8	714.88	728.78	728.78	728.78	728.78	728.78
JAPAN								
Nikkei 225 (1/1/80)	1888.8	1888.8	1888.8	1888.8	1888.8	1888.8	1888.8	1888.8
Osaka S. E. (1/1/80)	1888.8	1888.8	1888.8	1888.8	1888.8	1888.8	1888.8	1888.8
NETHERLANDS								
AEX-OPS General (1/7/8)	228.8	221.8	221.8	221.8	221.8	221.8	221.8	221.8
AEX-OPS Index (1/7/8)	228.1	224.8	224.8	224.8	224.8	224.8	224.8	224.8
NORWAY								
Oslo B. E. (1/1/80)	228.88	224.8	224.8	224.8	224.8	224.8	224.8	224.8
SINGAPORE								
Strata Times (1/1/80)	808.88	808.88	808.88	808.88	808.88	808.88	808.88	808.88
SOUTH AFRICA								
JSE Gold (1/1/80)	—	808.8	808.8	808.8	808.8	808.8	808.8	808.8
JSE Index (1/1/80)	—	1488.8	1488.8	1488.8	1488.8	1488.8	1488.8	1488.8
SPAIN								
Madrid B. E. (1/1/80)	228.87	227.1	227.1	227.1	227.1	227.1	227.1	227.1
SWEDEN								
Stockholm S. E. (1/1/80)	228.84	227.8	227.8	227.8	227.8	227.8	227.8	227.8
Swedish								
Stockholm S. E. (1/1/80)	228.84	227.8	227.8	227.8	227.8	227.8	227.8	227.8

2 Week		P/B		Sh		D/C		12 Month		P/B		Sh		D/C		12 Month		P/B		Sh		D/C		
High	Low	Stock	Der	Yld	E 100s	High	Low	Stock	Der	Yld	E 100s	High	Low	Stock	Der	Yld	E 100s	High	Low	Stock	Der	Yld	E 100s	
Continued from Page 41																								
46	Warrn1.08	2.8	359	61%	60%	60%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%	+5%
35%	Warrn1.76	5.5	12	88	27%	60%	27%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
34%	Warrn1.80	1.3	10	33%	33%	33%	33%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
30	Warrn1.82	1.1	61	80	28%	60%	28%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
25%	Warrn1.2.48	5	30	30%	30%	30%	30%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
34%	Warrn1.30	1.3	14	30	32	31%	32%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
34%	Warrn1.40	1.3	14	30	32	31%	32%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
34%	Warrn1.40	1.3	14	30	32	31%	32%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
34%	Warrn1.40	1.3	14	30	32	31%	32%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
34%	Warrn1.40	1.3	14	30	32	31%	32%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
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34%	Warrn1.40	1.3	14	30	32	31%	32%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
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34%	Warrn1.40	1.3	14	30	32	31%	32%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
34%	Warrn1.40	1.3	14	30	32	31%	32%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
34%	Warrn1.40	1.3	14	30	32	31%	32%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
34%	Warrn1.40	1.3	14	30	32	31%	32%	1	40	18	Woln p	5	30	18%	32	+4	81	38%	Wncp3	3	5.6	13	59%	41%
34%	Warrn1.40	1.3	14	30	32	31%	32%	1	40</															

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Norway Tel: (2)684020



## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 41



# NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

Stock	High	Low	Open	Close	Change
IBM	124 1/2	124 1/4	124 1/4	124 1/4	+1/4
Microsoft	28 1/2	28 1/4	28 1/4	28 1/4	+1/4
Apple	29 1/2	29 1/4	29 1/4	29 1/4	+1/4
Oracle	24 1/2	24 1/4	24 1/4	24 1/4	+1/4
Unisys	22 1/2	22 1/4	22 1/4	22 1/4	+1/4
QED	21 1/2	21 1/4	21 1/4	21 1/4	+1/4
PerkinElmer	20 1/2	20 1/4	20 1/4	20 1/4	+1/4
Amgen	19 1/2	19 1/4	19 1/4	19 1/4	+1/4
Boehringer	18 1/2	18 1/4	18 1/4	18 1/4	+1/4
Novartis	17 1/2	17 1/4	17 1/4	17 1/4	+1/4
Roche	16 1/2	16 1/4	16 1/4	16 1/4	+1/4
Sandoz	15 1/2	15 1/4	15 1/4	15 1/4	+1/4
Novartis	14 1/2	14 1/4	14 1/4	14 1/4	+1/4
Roche	13 1/2	13 1/4	13 1/4	13 1/4	+1/4
Sandoz	12 1/2	12 1/4	12 1/4	12 1/4	+1/4
Novartis	11 1/2	11 1/4	11 1/4	11 1/4	+1/4
Roche	10 1/2	10 1/4	10 1/4	10 1/4	+1/4
Sandoz	9 1/2	9 1/4	9 1/4	9 1/4	+1/4
Novartis	8 1/2	8 1/4	8 1/4	8 1/4	+1/4
Roche	7 1/2	7 1/4	7 1/4	7 1/4	+1/4
Sandoz	6 1/2	6 1/4	6 1/4	6 1/4	+1/4
Novartis	5 1/2	5 1/4	5 1/4	5 1/4	+1/4
Roche	4 1/2	4 1/4	4 1/4	4 1/4	+1/4
Sandoz	3 1/2	3 1/4	3 1/4	3 1/4	+1/4
Novartis	2 1/2	2 1/4	2 1/4	2 1/4	+1/4
Roche	1 1/2	1 1/4	1 1/4	1 1/4	+1/4
Sandoz	1/2	1/4	1/4	1/4	+1/4

Continued on Page 39

# AMEX COMPOSITE CLOSING PRICES

Stock	High	Low	Open	Close	Change
IBM	124 1/2	124 1/4	124 1/4	124 1/4	+1/4
Microsoft	28 1/2	28 1/4	28 1/4	28 1/4	+1/4
Apple	29 1/2	29 1/4	29 1/4	29 1/4	+1/4
Oracle	24 1/2	24 1/4	24 1/4	24 1/4	+1/4
Unisys	22 1/2	22 1/4	22 1/4	22 1/4	+1/4
QED	21 1/2	21 1/4	21 1/4	21 1/4	+1/4
PerkinElmer	20 1/2	20 1/4	20 1/4	20 1/4	+1/4
Amgen	19 1/2	19 1/4	19 1/4	19 1/4	+1/4
Boehringer	18 1/2	18 1/4	18 1/4	18 1/4	+1/4
Novartis	17 1/2	17 1/4	17 1/4	17 1/4	+1/4
Roche	16 1/2	16 1/4	16 1/4	16 1/4	+1/4
Sandoz	15 1/2	15 1/4	15 1/4	15 1/4	+1/4
Novartis	14 1/2	14 1/4	14 1/4	14 1/4	+1/4
Roche	13 1/2	13 1/4	13 1/4	13 1/4	+1/4
Sandoz	12 1/2	12 1/4	12 1/4	12 1/4	+1/4
Novartis	11 1/2	11 1/4	11 1/4	11 1/4	+1/4
Roche	10 1/2	10 1/4	10 1/4	10 1/4	+1/4
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Roche	7 1/2	7 1/4	7 1/4	7 1/4	+1/4
Sandoz	6 1/2	6 1/4	6 1/4	6 1/4	+1/4
Novartis	5 1/2	5 1/4	5 1/4	5 1/4	+1/4
Roche	4 1/2	4 1/4	4 1/4	4 1/4	+1/4
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Roche	1 1/2	1 1/4	1 1/4	1 1/4	+1/4
Sandoz	1/2	1/4	1/4	1/4	+1/4

## OVER-THE-COUNTER

Nasdaq national market, closing prices

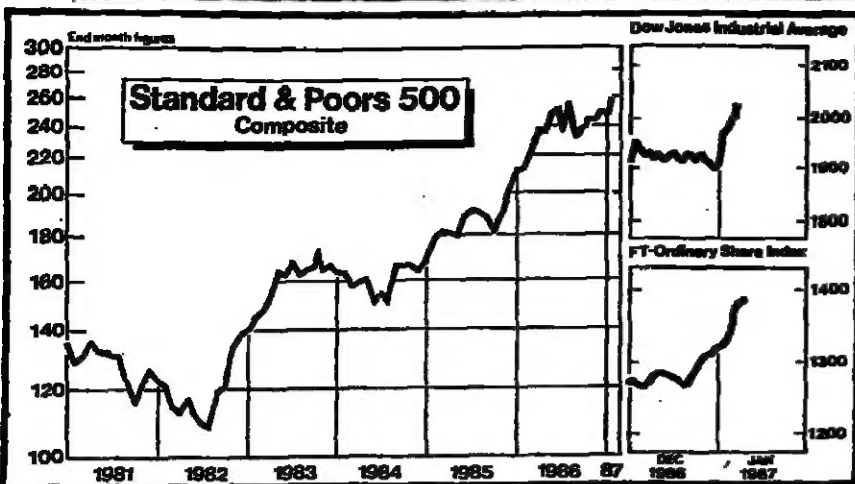
Stock	High	Low	Open	Close	Change
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Sandoz	1/2	1/4	1/4	1/4	+1/4



# FINANCIAL TIMES

## WORLD STOCK MARKETS

### KEY MARKET MONITORS



STOCK MARKET INDICES

	Jan 12	Previous	Year ago
NEW YORK			
DJ Industrials	2,013.36	2,002.25	1,513.53
DJ Transport	855.91	843.27	686.97
FT-A All-shares	221.04	218.16	172.75
S&P Composite	260.36	257.28	205.98

	Jan 12	Previous	Year ago
LONDON			
FT 100	1,389.4	1,386.4	1,108.3
FT-SE 100	1,755.60	1,752.3	1,394.5
FT-A All-shares	875.74	873.53	672.02
FT-A 500	952.78	950.32	736.23
FT Gold mines	337.5	334.9	300.3
FT-A Long gilt	9.36	9.33	10.58

	Jan 12	Previous	Year ago
TOKYO			
Nikkei	18,888.02	18,110.3	12,988.2
Tokyo SE	1,588.90	1,582.4	1,029.90

	Jan 12	Previous	Year ago
AUSTRALIA			
All Ord.	1,548.5	1,535.6	1,044.2
Metals & Min.	765.4	757.5	525.2

	Jan 12	Previous	Year ago
AUSTRIA			
Credit Aktien	225.57	224.1	254.770

	Jan 12	Previous	Year ago
BRUSSELS			
Belgian SE	3,590.40	3,587.8	

	Jan 12	Previous	Year ago
CANADA			
Toronto	2,136.5	2,070.5	2,102
Metals & Min.	3,243.5	3,178.5	2,817.8
Composite	637.25	1,586.9	1,137.84

	Jan 12	Previous	Year ago
FRANCE			
CAC Gen	412.80	407.2	275.3
Ind. Tendance	104.40	102.7	157.1

	Jan 12	Previous	Year ago
WEST GERMANY			
FAZ-Aktien	636.42	634.32	689.78
Commerzbank	1,925.10	1,913.5	2,080.5

	Jan 12	Previous	Year ago
HONG KONG			
Hang Seng	2,514.87	2,581.7	1,807.94

	Jan 12	Previous	Year ago
ITALY			
Borsa Com.	720.04	714.0	458.42

	Jan 12	Previous	Year ago
NETHERLANDS			
ANP-CBS Gen	259.10	271.3	102.3
ANP-CBS Ind	2,614.87	2,640	248.1

	Jan 12	Previous	Year ago
NORWAY			
Ose SE	392.66	393.5	387.15

	Jan 12	Previous	Year ago
SINGAPORE			
Straits Times	655.96	625.5	638.06

	Jan 12	Previous	Year ago
SOUTH AFRICA			
USE Golds	2,058.0	1,225.7	
USE Industrials	1,430.0	1,112.3	

	Jan 12	Previous	Year ago
SPAIN			
Madrid SE	228.47	222.0	104.67

	Jan 12	Previous	Year ago
SWEDEN			
J & P	2,295.24	2,370.3	1,861.88

	Jan 12	Previous	Year ago
SWITZERLAND			
Swiss Bank Ind	584.90	589.20	594.9

	Jan 12	Previous	Year ago
WORLD			
MS Capital Int'l	370.4	368.7	253.3

	Jan 12	Previous	Year ago
COMMODITIES			
(London)			
Silver (spot fixing)	371.80p	365.00p	
Copper (cash)	2913.00	2913.4	
Coffee (March)	21,587.50	21,848.00	
Oil (Brent blend)	118.775	118.375	

	Jan 12	Previous	Year ago
CURRENCIES			
(London)			
US Dollar	1.8905	1.9175	1.4775
DM	1.9670	1.9610	2.8375
Yen	1.5805	1.5805	2.3575
FF	1.3375	1.3375	3.1225
Sw	1.3375	1.3375	1.3890
BP	39.35	39.35	58.70
CS	1.3855	1.3855	2.0215

### WALL STREET

## Hesitancy proves short-lived

RECOVERING from a hesitant start, Wall Street stock prices edged higher again yesterday on heavy volume, writes Roderick Oram in New York.

Credit markets were unsettled by a number of factors including a weaker dollar and prices fell in light trading.

The Dow Jones industrial average closed up 3.51 points at 2,009.42.

Although some form of correction is widely expected soon, busy turnover and modestly rising prices extended the robust New Year rally into its seventh session, its longest unbroken rise in 20 months. Volume remained heavy at 184.8m with advancing stocks outnumbering those retreating by two-to-one.

Among the blue chips, AT&T edged up 5 1/4 to \$25 3/4, Boeing added 3/4 to \$52. Digital Equipment jumped 3 3/4 to \$118 1/4. IBM lost 1 1/4 to \$120 1/4 and United Technologies fell 1/4 to \$47 1/4.

Oil stocks were strong as crude prices continued to rise and fighting picked up in the Iran-Iraq war. Exxon gained 1 1/4 to \$75 1/4, Amoco was up 1 1/4 to \$71 1/4, Chevron added 1 1/4 to \$50 1/4 and Standard Oil rose 1/4 to \$57 1/4.

Investors appetite for second tier stocks was sharper with the American Stock Exchange composite index rising 4.01 points to 287.80, breaking its previous record set on June 25.

The Dow industrial average's rise was retarded by Owens-Illinois' decline of 3/4 to \$51 1/4. Its board rejected a buyout proposal at \$55 a share and took its own actions to raise shareholders value including plans to buy back up to 20m shares equal to 1/4 of the total.

ICN Pharmaceuticals jumped 2 3/4 to \$23 3/4. It said it was seeking permission for limited use of a drug designed to treat an infection associated with AIDS. ICN's share price has been volatile in recent days following reports of its advances in AIDS research. On Friday it had a high of \$30 and a low of \$21.

General Dynamics advanced 1 1/4 to \$74 1/4. Greece awarded it a contract for 40 F-16 fighter aircraft.

Loral gained 5 1/4 to \$40 1/4. The military electronics group is buying the aerospace division of Goodyear Tire and Rubber which edged up 5/8 to \$44 1/4.

Turner Broadcast System gained 1 1/4 to \$19 1/4 on the American Stock Exchange. The heavily indebted group has invited cable television systems to which it supplies programmes to take equity stakes in it.

Tobacco stocks benefitted from the refusal of the Supreme Court to hear a case concerning health warnings on cigarette packs. US Tobacco gained 3/4 to \$47 1/4, Lorillard advanced 5/8 to \$66 1/4, Philip Morris added 3/4 to \$77 1/4 and RJR Nabisco rose 1 1/4 to \$58.

USX rose 5/8 to \$23 1/4 on almost 3m shares, making it one of the most active issues. It is close to settling a 24-week strike by steelworkers. Last week, Mr Carl Icahn, the New York investor, dropped his \$31 a share bid for it.

E. F. Hutton lost \$1 to \$41 1/4. It said it would report a fourth quarter loss.

In credit markets, bond prices turned lower across the board under the influence of a number of negative factors such as a falling dollar in the wake of the European currency realignment, higher oil prices and a higher Fed funds rate.

The price of the benchmark 7.50 per cent Treasury long bond dropped 1/8 of a point to 102 1/4 at which it yielded 7.33 per cent.

The discount rate of three-month Treasury bills eased one basis point to 5.38 per cent while six-month bills slipped one basis point to 5.43 per cent and year bills rose two basis points to 5.45 per cent.

Economic figures due out this week are also hanging over the market. Following the strong employment figures for December released last Friday, analysts are now expecting a number of other measures to show better growth at the end of last year than initially forecast.

Retail sales figures for December due

to be issued tomorrow (Weds) could show rapid expansion of around 2 1/2 to 3 per cent while industrial production figures on Friday could be as much as 0.4 per cent higher than the previous month.

The Fed added further to liquidity yesterday by doing three-day system repurchases when the Fed funds rate stood at 8 1/4 per cent. It ended at 8 1/4 per cent.

### EUROPE

## EMS moves meet mixed responses

THE EMS realignment and the weaker dollar were the key influences on European bourses yesterday, with West Germany and the Netherlands finishing lower while France gathered momentum.

Spain, meanwhile, continued its record-setting trend.

Frankfurt fell back after early bargain-hunting had pushed some share prices higher and taken the Commerzbank index up 11 1/2 to 1,925.1.

Selling set in as the dollar fell below DM 1.90, combining with disappointment over the realignment of the D-Mark to raise fears about German export earnings. Finance Minister Gerhard Stolteberg told reporters, however, that the realignment would not damage international competitiveness.

Trading activity was moderate, with some investors unwilling to open new positions until after the elections on January 25.

Banks saw Deutsche down DM 10 to DM 780 and Dresdner off DM 4.50 to DM 378, while Commerzbank eased 30 pig to DM 295.

The dollar-sensitive car sector was mainly lower with Daimler-Benz down DM 9 to DM 1,128 ex-rights and BMW off DM 15 to DM 325. VW lost DM 1 to DM 888, a 12-month low, prior to news of very high 1986 demand. Porsche was steady at DM 990.

Bonds had a quiet session with many investors waiting to see the effect of the EMS changes. Prices showed little movement. The Bundesbank sold DM 21m worth of paper in its daily market-balancing operation after selling DM 80.9m on Friday.

Amsterdam also fell in a nervous session, depressed by the dollar's decline and further fallout from last week's poor corporate results.

Trading was fairly quiet as many investors waited to see if West German interest rates would fall and take Dutch rates down with them.

Paris was cheered not only by the reshuffle within the EMS but also by signs of an end to the public sector strikes.

The state railways predicted a return to normal by today.

Buying was also fuelled by hopes of lower interest rates, now that the tension within the EMS has eased. The French Treasury bill rate fell to 7.94 per cent from 8.68 per cent and Finance Minister Edouard Balladur said West German rates could fall soon. But there have also been suggestions that the franc's problems are not yet over.

Thomson, whose Paris pipemaking plant was devastated yesterday by an unexplained explosion, added FFr 2 to FFr 1,551.

Zurich turned mixed to lower as investors adopted a cautious approach to the EMS realignment and the dollar, while Brussels was mixed to slightly higher in a quiet session which saw a small boost to market confidence from the EMS events.

Milan paid little attention to the realignment, closing mainly firmer in fairly active trading.

Stockholm fell across the board in a gloomy reaction to the new budget.

The Veckans Affarar all-share index dropped 25.1 to 840.8 and among blue chips Volvo lost SKr 13 to SKr 309.

Ose eased in lacklustre trading as favourable rates in the credit markets drew funds away from securities.

Madrid saw all sectors gain in a strong advance that took the stock exchange index 6.41 higher to a record 228.47. Leading blue chip Telefonica posted a 3.3 percentage point gain to 180 per cent of nominal market value.

### TOKYO

## Firmer yen forces downturn

THE CONTINUED firmness of the yen against the dollar forced share prices sharply lower in Tokyo yesterday, writes Shigeo Nishiwaki of Jiji Press.

Blue-chip electricals and precision instruments fell almost across the board, along with other market leaders such as pharmaceuticals, domestic demand-related issues and financial stocks.

The Nikkei average shed 141.34 to 18,888.02. Volume shrank to 403m shares from last Friday's 728m. Declines outran advances by 549 to 288, with 145 issues unchanged.

Institutional investors retreated to the sidelines, discouraged by the yen's persistent firmness against the dollar despite the Bank of Japan's dollar-buying and yen-selling market intervention on the Tokyo foreign exchange market yesterday.

Investors were also uncertain about a possible effect of the agreement reached at a meeting of the finance ministers of the European Community in Brussels on a realignment of currencies within the European Monetary System.

Reported moves by Mitsubishi Corp and Kyodo Oil to purchase crude oil from Saudi Arabia at a fixed price of \$18 per barrel also depressed buying enthusiasm.

On the trading floor, Morinaga Milk closed Y9 higher at Y506 after gaining Y27 at one stage. But Snow Brand Milk and Meiji Milk fell Y20 and Y9 to Y980 and Y925, respectively.

Nippon Steel topped the active list with 90.83m shares traded, accounting for 22 per cent of total volume. But the issue ended Y3 lower at Y187. Nippon Steel was rumoured to be drawing massive buy orders from institutional investors abroad.

Mitsubishi Electric came out the second busiest issue with 18.09m shares changing hands. Its popularity reflected investor appraisal of the company's plan to redevelop its former factory site. Mitsubishi advanced Y30 at one point but came under selling pressure later to finish at Y830, unchanged from last week's close.

Mitsubishi Pencil scored a daily allowable gain of Y100 to Y915, while Kawasaki Kisen rose Y10 to Y182.

Small-lot selling dampened blue-chips. Hitachi and NEC lost Y30 each to Y1,000 and Y1,890 respectively. Matsushita Electric Industrial dropped Y40 to Y1,930, Sony Y80 to Y3,310 and Canon Y15 to Y970.

Their trading volume was thin at 3.91m shares for Hitachi and 1.78m shares for Matsushita.

Pharmaceuticals declined sharply. Yamaguchi Pharmaceutical shed Y130 to Y3,780, affected by European investors' selling.

After four days of rises, bond prices weakened slightly with the yield on the 5.1 per cent government bond maturing in June 1986 ending at 5.160 per cent, unchanged from last week's close.

Major securities houses believe bond prices will not decline sharply because life and nonlife insurance firms as well as financial institutions related to agriculture and forestry were placing small-lot buy orders for bonds carrying coupon rates of 5 per cent and 6.1 per cent.

Most active stocks, Page 39

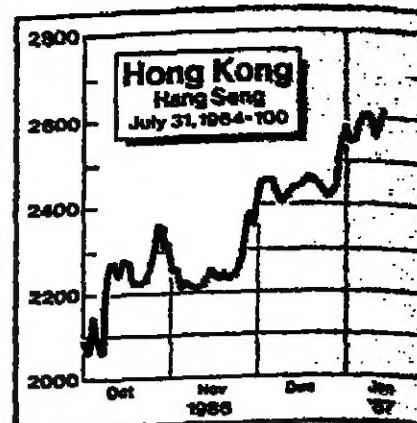
### LONDON

THE RECORD-SETTING pace continued in London yesterday although the momentum of the rally appeared to slow. The FT-SE 100 index, up an early 8.3 points, closed 3.3 higher at a new peak of 1,755.6, its fourth consecutive record, while the FT Ordinary index added 3.0 to 1,389.4.

Oils enjoyed late US support although closing gains were small: British added 2 1/2p to 179 1/2p on 8.9m shares; BP firmed 2p to 758p on 3.5m shares, and Shell was unchanged at £104 on 4m shares.

Gilts started well but prices drifted back in sluggish trade to show gains of 1/4.

Chief price changes, page 38; Details, page 33; share information service, page 36-37



### HONG KONG

PERSISTENT institutional demand boosted Hong Kong to another record as the Hang Seng index jumped 33.14 to 2,614.87 and the Hong Kong Index added 33.37 to 1,674.25.

Sentiment was aided by news that a consortium comprising Cheung Kong, Hutchison and Hopewell has proposed a HK\$25bn new airport and highway network. Foreign buyers were also active later in the day.

Cheung Kong jumped HK\$1.35 to HK\$39.75, just below its 12-month high. Hutchison gained HK\$1.75 to HK\$46.75 and Hopewell at 32 1/2 cents was 3 1/2 cents higher. Other properties gained in sympathy with Wharf Holdings picking up 10 cents to HK\$9.20 while Hongkong Land gained 20 cents to HK\$7.20.

Banks were busy with Hongkong and Shanghai Bank, the most active stock, hitting a 12-month peak with a 15-cent gain to HK\$3.75.

### AUSTRALIA

TAKEOVER ACTIVITY continued to propel Sydney to fresh heights as the All Ordinaries index reached another record with a 13.4 rise to 1,548.5. Volume swelled to 123m shares, worth AS\$247m, with advances outnumbering falls by two to one.

The media sector remained a hotly contested battleground as higher offers for the Herald and Weekly Times and Queensland Press from News Corp and speculation over a fresh counter bid from Mr Robert Holmes & Court whetted investor appetite.

HWT at AS\$1.15 higher, Queensland Press jumped AS\$2 to AS\$2.1. Fairfax put on 5 cents to AS\$1.10 and News Corp dropped 45 cents to AS\$1.8.

### SINGAPORE

THE BULLISH mood continued in Singapore as local and foreign institutions bought strongly in brick trading, pushing the Straits Times industrial index to its highest level for 29 months. The index gained 30.44 from Friday to 855.96, a 12-month-record and the highest point since it reached 963.07 in August 1984.

No new factors emerged to explain the rise but at the same time there was nothing to depress the positive sentiment.

Blue chips and banks did best from the buying, with Genting up 25 cents to S\$6.85, Haw Par gaining 16 cents to S\$3.34, Sime Darby 13 cents ahead to S\$2.28 and Singapore Airlines up 30 cents to S\$8.55.

### SOUTH AFRICA

GOLDS were catapulted to record highs in Johannesburg as the bullion price topped \$410. Strong domestic and international support stemmed from the uncertain foreign exchange movements of recent days, according to brokers. The stock exchange All-Gold index surged to a record 2,117.

Free State Consolidated jumped R3.50 to R58 and Driefontein closed R1 higher at R75.75.

### CANADA

OIL AND GOLD issues spearheaded the rally in Toronto despite the mixed early tone on Wall Street.

The higher bullion price supported a C\$14 gain to C\$31 1/4 for Lac Minerals as international Corona rose C\$1 to C\$22 1/2. Campbell Red Lake at C\$29 1/2 was C\$1 higher.

Higher US crude oil prices triggered a C\$4 advance to C\$53 1/4 for Imperial Oil Class A as Texaco firmed C\$4 to C\$33 1/2. Industrials followed the resource-inspired rally.

In Montreal utilities slipped as banks and industrials staged a solid advance.

5x ? (1/4) = 2D

### PROPOSITION

**A** Let the amazing THORN EMI 2D compact fluorescent lamp be equal to the life of five ordinary light bulbs.

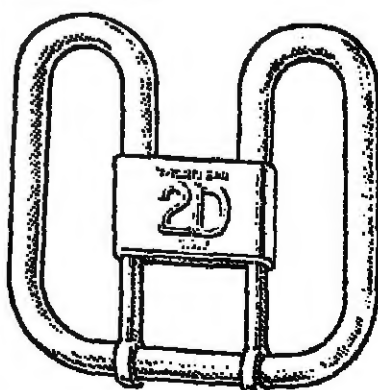
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